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OF THE

National Association of Credit Men

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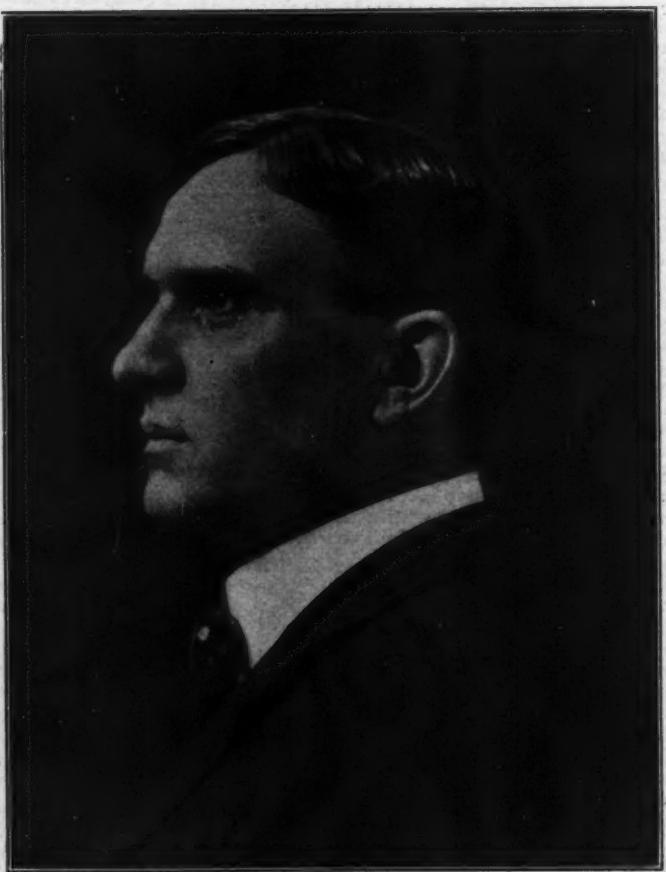
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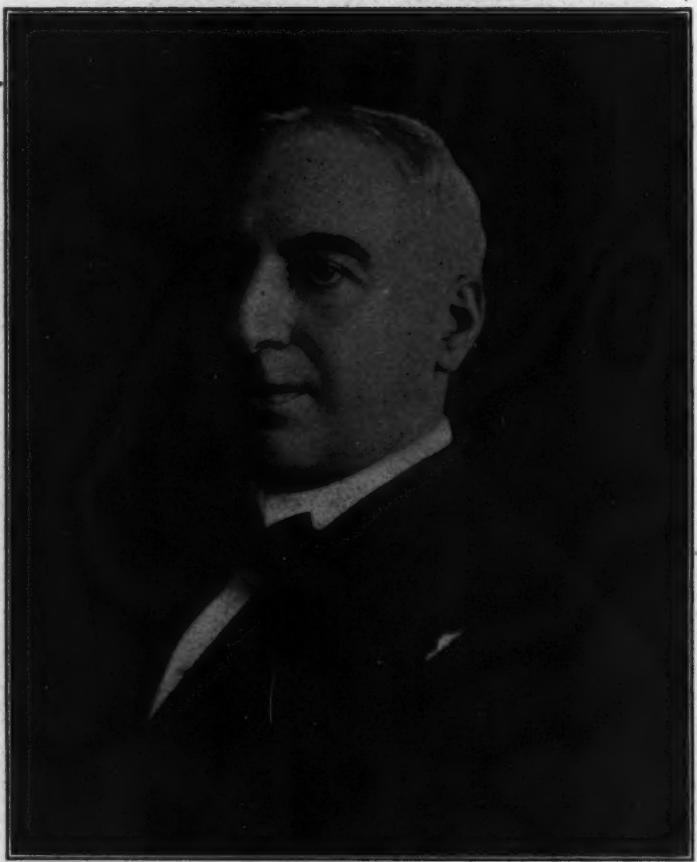
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F. R. SALISBURY
Salisbury & Satterlee Co., Minneapolis, Minn.
President



CHARLES E. MEEK
Fourth National Bank, New York, N. Y.
First Vice-President



ENOCH RAUH
Rauh Bros. & Co., Pittsburgh, Pa.
Second Vice-President

**Proceedings of the Seventeenth Annual Convention of
the National Association of Credit Men, held at
Huntington Hall, Massachusetts Institute of
Technology, Boston, Massachusetts,
June 18, 19, 20, 21, 1912**

The opening session of the Seventeenth Annual Convention of the National Association of Credit Men was called to order at 11.15 o'clock A. M., Tuesday, June 18, 1912, by President Harry New, of Cleveland, Ohio.

The Right Rev. William Lawrence, Bishop of Massachusetts, who was to have offered the opening prayer of the convention, being unable to be present, the Rev. S. G. Babcock, archdeacon of the Episcopal Church of the diocese of Massachusetts, delivered the invocation.

President New—I regret to announce that owing to the press of state matters Governor Foss, of this great commonwealth of Massachusetts, is unable to be present to welcome you, but he has sent in his stead his credit man, the treasurer of the state of Massachusetts, the Hon. Elmer A. Stevens.

**Address of Welcome for the Commonwealth of Massachusetts by the Hon. Elmer A. Stevens,
Treasurer of the State**

Mr. President, Ladies and Gentlemen:

I certainly come to you without any warning, for twenty minutes ago I was seated at my desk and had no idea that I was to address you and represent the governor of this great commonwealth; but I am here, and I am glad of the opportunity of facing the credit men of the country assembled in national convention; I am glad to see the peace and harmony that prevail here. I am glad that you have selected Boston, the capital of the commonwealth, as the place in which to hold this your very important meeting.

Massachusetts always extends a hearty welcome to conventions of this kind; but I am sure his excellency, who is a man of large business affairs, regrets exceedingly his inability to be here this morning and speak to you. I am sure that he would say things to you concerning this commonwealth and its business interests that I shall be unable to present this morning. Massachusetts, and Boston, in a large sense, represent New England. Clustered about Boston and Massachusetts is all New England.

I see some of the banners of your western states here; that reminds me of some of the men who have built up those great cities in the far west. I am reminded of the Washburns who are doing such wonderful business in the state of Minnesota; I am reminded of the Pillsburys, for the Pillsburys went from New Hampshire and the Washburns went from the state of Maine, in which state I was born and reared. I am sure you people of the west in coming to Massachusetts are mindful of the fact that in a large sense you are coming back to New England and Massachusetts and to Boston, whence went the capital and the men who enabled you to have the communities in the far away west that you have today. In a sense I speak as the credit man of Massachusetts; why, the governor himself, who was to be here, is only an employee whom I have the honor

to pay off once a month. (Laughter.) Every servant of this commonwealth, from his excellency down, has to come to the treasurer occasionally, and they never go away empty. Massachusetts has always paid its bills. Massachusetts from its infancy has paid its debts, and paid the interest and principal of its bonds in gold whenever demanded. Never has there arisen an occasion when Massachusetts could not meet its obligations in gold if required. Massachusetts, for that reason, has a credit world wide, and speaking to you credit men I am going to say something along that line.

A little less than two years ago I was visited by a representative of a foreign house who asked if we would issue some bonds in sterling; I said, "Why?" And he said: "Because the people that I represent in London are getting short of Massachusetts bonds, and your bonds stand so high over there that they want some more of them." I said: "We have not issued any in sterling for a long time; can you not buy the bonds of some of the other states?" He looked at me for a moment and said: "Why, in the London market they do not know any state but Massachusetts."

Some of you western men will say the reason for that is that you do not owe any debt; and that is true. I get reports annually of your state treasurers. Now to be a treasurer of a western state, at least some western states, is the simplest thing in the world, for as I read the state reports, I find that at the beginning of the year the state had so many hundreds of thousands of acres of land, given them by the government, and when a treasurer wants money, he simply sells some of the land and reports: "Sold so much land for so much money, so much has been spent and so much is left on hand." And I notice in a good many cases in western states when the public lands for school purposes are sold the money received is invested in Massachusetts bonds. (Applause.) \$365,000 of the state of Massachusetts bonds today are resting in the permanent school fund of the state of Minnesota; many hundreds of thousands of dollars more in Nebraska, etc. So you show good judgment in the way you invest money you receive for your public lands.

Now, Massachusetts has no public lands and so Massachusetts has financial problems to contend with quite different from those in the west. But Massachusetts' credit is world wide, and you men who are dealing with credit I am sure will recognize the credit of the state of Massachusetts.

I am not going to tell you how we buy goods in Massachusetts; nor am I going to tell you how a commission of which I am a member attempted to get from manufacturers recently prices on machinery to be delivered within ten miles of Boston; I am not going to tell you the bid we finally received; but I am just going to say that when we were ready to ask for bids for machinery for the state of Massachusetts, the bids were so much less than the prices originally given simply because it was discovered the shipment was not for a corporation or a business concern, but for the state, that you would be astonished if I should tell you the difference in figures.

Now, I wish to say that Massachusetts with her wonderful credit, gives her citizens a hundred cents for every dollar she expends; and no man who sits as near the treasury as I do and handles the funds, can doubt that statement. I am ready to meet on any platform at any time or place, the representative of any corporation in the land, who says he can show more value for money spent than can the old commonwealth of Massa-

chusetts. So when you credit men come to Boston and to Massachusetts, you are coming where the people's credit is good; you are coming to a state, the mother of states, to a state that has gone down through all these years with her name untarnished, a state that has world-wide credit today, and a state that is made up of the most magnificent citizens that can be found anywhere in the land. (Applause.)

I am interested in that banner down there which says, "Kansas City," because Kansas City is in Missouri, and that is the state to which I as a New England boy went to get my wife. (Applause.)

The treasurer of the Commonwealth of Massachusetts, representing His Excellency the Governor, bids you a hearty welcome to the old Bay State. I hope your convention will be productive of great good, and that you will have the opportunity when you are here of visiting the memorable spots in Massachusetts. They are all about us. I live in the city of Somerville, the city of many hills, the city where the first flag was unfurled; you can reach it by a four mile trip. I hope you will visit Lexington, Concord and all these cherished historical spots in Massachusetts; and I am sure you will go back to your homes thinking more of this grand old commonwealth than you did when you came. (Long continued applause.)

President New—I have the honor now to introduce to you the mayor of this city, a man who has stood for progressive ideas, a man whom we have read about, whom we know about and of whom I could tell you many good things. Amongst other things that he has done is to establish a high school of commerce, a movement interesting us deeply; but I will present him and have him speak for himself. I am glad to introduce His Honor John F. Fitzgerald, mayor of the City of Boston. (Great applause.)

Address of Welcome in Behalf of the City of Boston, by John F. Fitzgerald, Mayor

Mr. President, Ladies and Gentlemen:

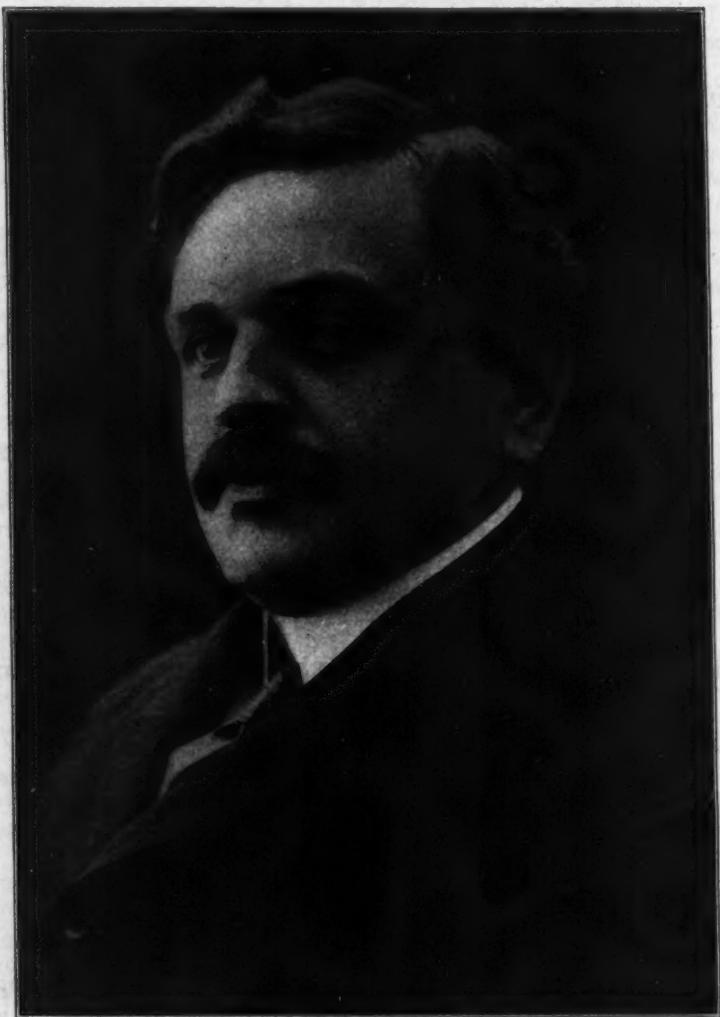
I join with the representative of the Commonwealth of Massachusetts in complimenting this convention on the peace and harmony which seems to prevail, and to express the hope that this spirit will dominate all through the deliberations of this splendid body.

I thought when Mr. Stevens was speaking about peace and harmony that his thoughts must have been in Chicago. (Great laughter.) Mr. Stevens, you know, belongs to the G. O. P., while I happen to be a member of the unterrified Democracy, which is going to meet down in Baltimore next week. (Great laughter and applause.) I thought Brother Stevens (we were discussing it a moment or two before he stood on the platform) was going to congratulate you on not being in Chicago (Laughter), but in this peaceful atmosphere of Boston; and as the mayor of the city I am glad that you are here, and I hope this glee club (referring to the Pittsburgh Glee Club) will learn that song—I suppose every man in the United States knows it "We're Here Because We're Here." (Laughter.) "Everybody's doin' it." I suppose you know that song (Laughter), and I presume that will be sung before you leave Boston.

I hope that you will make the streets gay here with your festivities. I am sure you will not get into a bit of trouble, because we have a very fine atmosphere and a very kindly disposed people, who have been look-

ing forward to this convention for a great many weeks. I think it is months ago since I was given the invitation to be present, and present an address of welcome.

I do not think that there is a city in the world that can furnish a convention of this kind better opportunities for pleasure and deliberation



J. H. TREGOE
Secretary-Treasurer
New York, N. Y.

than Boston can furnish you at the present time. You see what splendid weather we have opened up here with, and we are going to continue to give you it. You know we control the east wind, and when things get bothersome out in the west, and any of those scorching winds that bother you out in Kansas, for instance, or Nebraska or Oklahoma, happen, why,

we just simply set a weather signal and say we want the east wind, and Boreas comes right in from the ocean and catches us. Perhaps it would be a good thing for them to have an east wind out in Chicago for the next forty-eight hours (Great laughter); perhaps it may be needed down in Baltimore—you cannot tell—(Laughter), but certainly we shall not have it here, because I think you are the most peaceful and, as the state treasurer said, the most harmonious body of people I have ever seen.

I think it is a fine thing for you gentlemen to bring your wives and daughters with you, because if there should be any attempt at any outlandish sport, they act as a deterrent. (Laughter.) I want to say to the ladies here that while I am going to give the key of the city to all these gentlemen, if your husbands do not come in at a reasonable hour, my telephone is 4-11-44; you ring me up and I will attend to them! (Laughter and applause.)

As I was looking over your list of delegates a short time ago, I saw the name of Kentucky, which reminds me of a little story. They have a good brand of Bourbon whiskey down there, I believe, though I do not know anything about it from practical experience, of course. On the other hand we have a fine metropolitan water works system here. Massachusetts will tell what the commonwealth does for the Democratic city of Boston, among things floating a loan of forty million dollars to give us what we consider the best water supply in the world. New York was nearly famished about a year ago, because of an inadequate supply of water. Just think of New York wanting water when there were so many other good things there. That never could possibly happen in the west. (Laughter.) This water supply of ours is tremendously abundant; and I thought of a story that was told only the night before last by a congressman from Alabama. The story was of a temperance lecturer who spoke about the relative merits of water and whiskey upon the human system. This lecturer said, "Now, you take worms, put them in a glass filled with water from the mountains of Massachusetts, and you will see those worms take on new life; they will swim around and bulge out, and you can see life in every fibre of their being; on the other hand take some of that whiskey from Kentucky, put it in the goblet and put those worms in there, and they are dead in just a second." A stillness came over the audience, which a darky in the rear of the room broke by saying. "Mister Preacher, please tell me the name of that brand of whiskey; I'se just chock full of worms!" (Great laughter and applause.) Now, I think that is a good advertisement for Kentucky whiskey, and I hope you credit men from that state will appreciate the fact.

Speaking seriously, I do not believe there is any body of men that can do more for the business of the country than assemblages like this, gathered together from every part of the United States. Your chairman tells me that there are sixteen thousand members, and that you are organized to promote the credit of the United States, fraternity and business dealings and good fellowship in commercial circles. I think that we business men of the United States have need of conventions like this, because of the misunderstandings that are bound to crop out in business and social relations.

About six months ago I met a body composed of the governors from some of the northwestern states. I tried to get them to come to Boston, but their plans did not take them beyond New York, but they promised to come another time. At the same time they spoke of the fraternal feeling and good fellowship that had been extended to them on every side, de-

claring that they had been astounded by it; that when they got east of the Mississippi river they thought that they would be met with a frigid reception; that the people would be cold; but instead of that, every city opened its arms to them. These governors went back to their homes better Americans than ever; they saw that one part of the United States was just as loyal and patriotic as another.

When we listen to the debates in congress, where the representatives from California or perhaps from Wisconsin or from Oklahoma make an attack on Massachusetts or New York or Pennsylvania, and those speeches are read by you gentlemen at home, you get an impression that the high duties on woolen or cotton goods, or some of our iron and steel manufactures, which benefit a few men and hurt the general business of the country, we are all responsible for, and it creates a condition of mind between business men of the different sections of the country which is hurtful, but in business conventions of this kind when men from California and from Oklahoma and Oregon and Washington and Montana, sit down, their feet under the same table with the men from Dixie Land and the men from New England, they learn to know each other and forget minor differences. They go back to their homes having developed a genuine fraternal spirit, business becomes more satisfactory (Great applause) for all have a more thorough understanding of conditions in each section of the country. Thus these conventions become tremendous assets in our growth and development.

When I went across the water with the Boston Chamber of Commerce last year (it was an international movement, and all the states of the country were represented in our party, although there were not more than a hundred and ten or fifteen men, I was astonished at the number of conventions that were being held abroad. In Germany there were dozens of them in almost every big city that we visited. In Austria it was the same, and again in France; and though it was the summer season, we found that there were excursions organized particularly for Saturday afternoons and Sundays, to conventions, from one part of the country to the other; and in this way the people of these countries were brought into contact with each other, and there was a better international feeling existing on that account.

So we here in the United States can gain tremendously through conventions. We are only a nation of 90,000,000 of people, but we have a territory of 3,000,000 square miles, with the most abundant wealth that God Almighty has blessed any nation with since the world began. When we consider the odds that are in our favor, it is inspiring. The crops this year, judging from the reports, are going to be abundant,—more so than usual; and this country of ours will get about ten billions of wealth out of the soil this year. We are bigger than all Europe combined. Germany is a prosperous country; you see no emigration from Germany, yet it supports 65,000,000 of people in a land that is not as big as our state of Texas—65,000,000 of people! and they are pretty happy and prosperous as shown by the fact that the people are not leaving it. Now, nobody compares Germany or any portion of it, in natural wealth with this country. France supports 45,000,000 of people in a country that is not as big as our state of Texas. England is not as big as the state of New York. This gives you some appreciation of the size and the power and the wealth and the opportunity that this country of ours gives to every one of us; and therefore there ought to be correlation and co-ordination and co-operation among the business men of all parts of the country, in

order that the prosperity of all the people of the country may be increased. (Great applause.)

We are now on the verge of a splendid awakening, and we in the United States ought, every one of us, to pull together in order to grasp our opportunities. There is a moral obligation on the part of every one of us to see that this is done; because the United States has spent \$400,000,000 upon the opening up of the Panama canal, and that is going to place South America, the east coast and the west, and the west coast of North America vastly closer than hitherto.

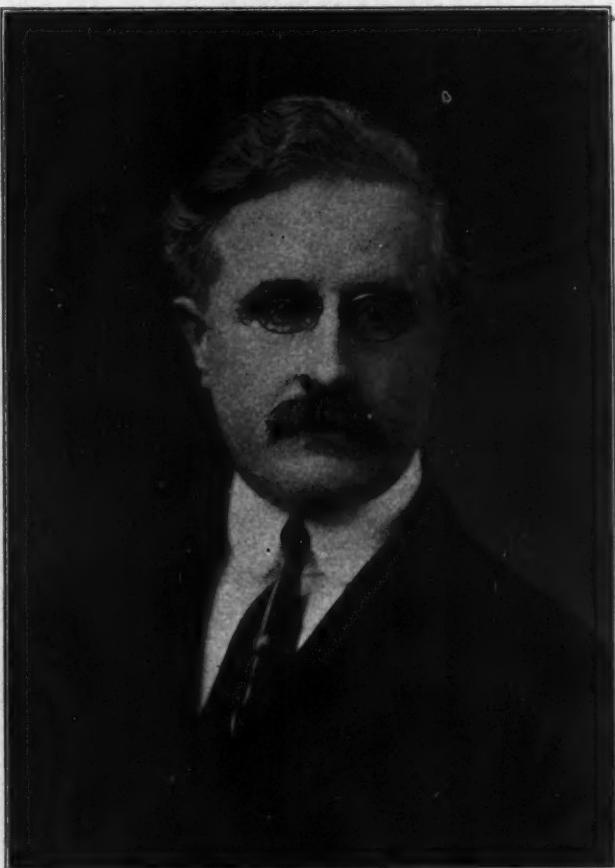
We have neglected that great land to the south of us altogether too long. There they do a business of two billion dollars a year, yet there is hardly a steamship line operating between any port of this country and South America, where that two billion dollars worth of business is done annually. One of the largest of the cities of South America has increased 100 per cent. in population in the last ten years; and yet New York, our biggest city, has only increased about 48 per cent. In the city of Rio de Janeiro there is the biggest printing plant in the world, and the biggest and most powerful newspaper plant in the world is situated there. Argentina is the garden spot of America. It already does a foreign business of \$700,000,000 a year. These people need typewriters, they need agricultural machinery, they need automobiles, clothing, boots and shoes, and everything that an intelligent human being wants and needs; and that part of the world with its vast requirements is opening up to us, because of the expenditure of \$400,000,000 on the great water highway, which is going to put us as near again to this market as is Hamburg, London or Liverpool. We must prepare for it.

Your president was kind enough to speak of my organizing the high school of commerce here. We did that three or four years ago, and it is now the most successful school in this part of the country. I was proud to go through it with John Barrett three months ago. We asked for a show of hands as to the number of boys studying Spanish, and two-thirds of the boys raised their hands. So we in Boston are preparing for that South American trade; we want our boys and girls who are growing up in this commercial and industrial atmosphere, to know the Spanish language, so that when our merchants and business men, our manufacturers here, are seeking the trade of South America, we can put into a letter something that the merchant of Rio Janeiro, Buenos Ayres, Montevideo, Valparaiso and those other cities, can understand.

Here is a tremendous opportunity and I ask you men representing the credit side of business in every city in the country to help out this movement because of what it means to all America. Get your school committees to investigate the situation, and see if they do not come to the same point of view that we have come to in Boston. I think the people of the United States must soon conclude that the study of Spanish in our schools is going to broaden our chance to secure the trade of the continent to the south of us.

Germany is down there now; England is down there now; and we are a bad third. Yet if any trouble comes to any state in South America tomorrow, it is the American war ship that must get it out of trouble; if any trouble comes in Cuba it is American money that must be spent in order to preserve peace. If anything occurs in Hawaii or Porto Rico, or the Philippines, or Mexico, or Central America, it is our money that must protect those governments. Why, then, in the name of common sense, should we not have the trade of those countries? (Great applause.)

Again, we should ship, so far as we can, to those countries in boats bearing the American flag, the stars and stripes at the masthead. (Great applause.) We should bombard these people with circulars, with cuts of American-made goods; and in magazines and in other publications should present descriptive articles printed in the language that the people can understand. Then with American ingenuity and American brains and enterprise, there is no question but that in a decade from now our trade will not only be doubled, but if we do our work in the right way, it will



F. H. McADOW
Staver Carriage Co., Chicago, Ill.
Director

increase a thousand per cent.; and that will affect every home and fireside throughout the land. (Great applause.)

As I said before, this organization is all important because it affects credits. I was a member of congress for six years, and since leaving congress there has been in my mind a great query, and it is that with all the guessing done by the politicians of the country, the banking men of the country have never been able to get together and present for consideration in congress a proper banking and currency law such as would

enable the merchant and the manufacturer to know what his interest rate and his discount privileges would be from one end of the year to the other. (Great applause.) I hope that this organization will do something along those lines, because no matter what is attempted in congress, it will fall far short. For this you cannot blame our senators nor our representatives, when the men who ought to know the business of the country best (and I have for a long while watched the deliberations of their conventions) have never put in practical shape a measure that represented the business views of the country.

I saw a statement in a daily recently which showed that the rate of discount in the United States—and remember I spoke of the wealth of this country a while ago—was almost 8 per cent. in the year 1910—I think it averaged 7.78. Germany looks to us for money, and has in the past, yet the discount rate in Germany in the years between 1901 and 1910 was 4 per cent. the discount rate in France in the same period was between 3 and $3\frac{1}{2}$ per cent.; and the discount rate in England at the same time was between $3\frac{3}{4}$ and $4\frac{1}{4}$ per cent. Now, there is something wrong when in the biggest country in the world, our discount rate is 70 per cent. more than the rate across the water; and it is for you gentlemen to help in correcting this weak point and to present a measure which will correct it.

There is to be a political campaign in this country during the next six months and in my opinion if there is any question to be settled this credit question is one of the most important and your convention to be held here in Boston during the next four days can do constructive work. Present, if you will, a measure that will appeal to congress as practical, such that business men can get some intelligent idea when they undertake an enterprise, as to what money will cost them at the inception and during the processes through which their enterprise will go.

There is altogether too much gambling in stocks and too much high finance in the stock markets here and in New York and everywhere. I myself know of a stock which was floated on the Boston Stock Exchange a few years ago selling then at $51\frac{3}{4}$; it sold within three months at 10, yet Boston and New York banks had loaned millions of dollars upon that stock which afterwards was not worth thousands; and that is only one of the innumerable transactions that have occurred in this stock exchange and the New York Stock Exchange in the last ten years. When money is loaned like that in the banking institutions of the United States it cannot be loaned to honest business men at a decent discount (Great applause); and these are some of the things that must be corrected.

I hope that your deliberations may be governed by wisdom and by prudence and that splendid results will follow. I need not reiterate in closing the wonders of this splendid city which are to belong to you during the next few days. We have not only a magnificent state, but a fine city. I want you to look particularly into our educational institutions here. Wellesley is only a few miles; Radcliffe College is nearby; this splendid Institute of Technology is worthy of examination; then there is that magnificent Harvard University across the Charles. Why, with all this trouble going on between Taft and Roosevelt, they both have their boys in this city of Boston; and you see what a somniferous influence we exercise, when you recall that one of Roosevelt's boys is in the classical shades of Harvard and Taft's son is the leading scholar in the Harvard law school. Justice Hughes' boy is there too. There is where to send your boys. I will not promise to stay on the job till they graduate, but

I will do my best to get a successor who will do that; if you will only send your boys and girls to Boston they will not only imbibe the patriotic atmosphere that is felt everywhere in this city, but will enjoy the splendid educational system which exudes goodness at every point; and your boys and girls will go back to the west and to the south and will say: "We were not there when Fitzgerald was mayor, but because you, our parents, went there and heard him talk at the convention of the National Association of Credit Men about Boston's glorious educational advantages you sent us to Boston, and we are very thankful for this result of the Boston convention." (Great applause.)

President New—Now we all know why Boston so loves its mayor. Since arriving at Boston we have all been taken by the hand by the genial members of the Boston association; and I now take great pleasure in introducing to you its president, Mr. George C. Morton.

Address of Welcome by George C. Morton, President of the Boston Credit Men's Association

Mr. President, Ladies and Gentlemen:

On behalf of the Boston Credit Men's Association it gives me much pleasure to add a few words of welcome to what has already been said. I most cordially welcome you to Boston and hope that your stay in our city will prove instructive and enjoyable.

For the past eight months our members have been looking forward with pleasant anticipation to this occasion, affording as it does, an opportunity for us to become acquainted with our brother credit men from all over the United States.

We have only one regret and that is that our new Copley-Plaza Hotel is not ready so that we might receive you there. At the time we extended to you our invitation to come to Boston, we expected to be able to hold the convention in the new hotel, then, as now in process of construction, but causes beyond the management's control have made that impossible. I feel, however, that you will be well taken care of at the many good hotels in the immediate vicinity of this convention hall.

I am not going to take this time to enlarge on the advantages of Boston. You are to be here several days and can judge for yourselves. We Bostonians, in talking population with our western friends, like to call attention to the fact that within a radius of fifty miles of this center, there is a population of nearly three and one-half million of people or one-twenty-sixth of the total population of the United States. We are especially proud of our park system, with its over 20,000 acres and including within its bounds many old landmarks and historic places. Then we do things a little differently here for we have the distinction of being the only city in which you go down into a subway to take the elevated trains.

Those of you who have come to Boston for the first time will surely want to visit the many places of historic interest in Boston and vicinity. You will want to see Faneuil Hall, Bunker Hill Monument, the Old North Church, the Old South Church, the Old State House, the Old Granary Burying Ground, also the Washington Elm and the homes of Longfellow and Lowell, in Cambridge. You will also want to visit Concord and Lexington, the scene of Paul Revere's Ride, the Old City of Salem of Witch Fame, and Plymouth.

Our entertainment committee will be very glad to give you information as to the best means of reaching any of these famous places.

I hope that the convention program this year will prove of more than ordinary interest and that the entertainments that we have planned will help you to pass pleasantly the time between sessions.

In closing I want to address a few remarks direct to our president. Anchored at the dock of the Charlestown Navy Yard, almost under the shadow of Bunker Hill, is the old frigate "Constitution, Old Ironsides" of glorious memory. A few years ago the old frigate was repaired, much of the old woodwork being taken out and replaced with new. At that time I succeeded in getting a piece of the old wood, and from that piece



GEORGE C. MORTON
Carpenter-Morton Co., Boston, Mass.
Director

of wood I have had made a gavel, the sign of the president's office, and it now affords me much pleasure on behalf of the Boston association to present to President New this gavel made from timber taken from "Old Ironsides," asking him to accept it with our sincerest congratulations because of a most successful administration. (Great applause.)

President New—I accept this gavel, President Morton, as emblematic

of the constitution of this Association. I hope it will live in memory as has the "Constitution" of which it was a part. (Great applause.)

President New then introduced as a close friend of the Association, Franklin H. Wentworth, of Boston, who took the floor and said:

Mr. President, I do not wish to inflict a speech upon this assemblage, but as Boston is the home city of the National Fire Protection Association of which your body is a very active member, I simply desire to welcome you all on behalf of my organization to our city, and also to present these flowers as a slight token of our regard. (Great applause.)

(Mr. Wentworth then presented President New with a floral tribute.)

President New—I most sincerely thank the National Fire Protection Association for being here through its secretary and for the beautiful tribute in the form of these flowers. You notice the flowers the National Fire Protection Association sends are red. (Laughter.)

We will now listen to responses to addresses of welcome, and I will call upon Mr. A. C. Carpenter, president of the New Orleans Credit Men's Association.

Response to Addresses of Welcome by A. C. Carpenter, New Orleans, La.

Mr. President, Fellow Credit Men and Visitors:

In being assigned the task of responding to the magnificent welcome tendered us today, I cannot fail to recognize my inability and shortcomings as an orator. The position I find myself in reminds me of an old darky down our way of whom this story is told: A man one day tendered the darky a ten dollar bill, asking him if he could change it. Our colored brother replied, "Fore God I kaint, Boss, but I done thank you for the compliment jes the same." So, Mr. President, I thank you most sincerely for the compliment, because it is indeed a compliment to any man to be asked to address this Association on any subject whatsoever.

Gentlemen, today we are gathered from every section of this great Republic; from the distant grain laden fields of the North; from the sun kissed golden hills of the far West; from the balmy breeze swept lands of the sunny South; in fact, from everywhere in this great land have we journeyed hither for the purpose of renewing pleasant acquaintances, of making as many new ones as we can, and to discuss the great commercial problems of the day, in so far as they touch the splendid purposes of our organization.

What is more fitting than that we should gather in the shadow of that mighty Bunker Hill, which commemorates the many struggles and heroic deeds of our forebears, the glorious influence of which holds sway over us even unto this day.

As we go about this beautiful city, rich in historic interest, we are constantly reminded that in "ye olden days," commercial problems were of vast importance as they are today, and were largely, if not wholly, responsible for New England's history in its making. In fact, we are inspired by retrospection to approach our own latter day commercial anxieties in a firm, fair and conscientious manner, though let us hope not as strenuously, or with as much bitterness as in those of old.

You have bid us welcome, and the generous, free-handed, open-hearted way in which you have welcomed us cannot but make us rejoice and feel glad we are here. From the generosity and hospitality re-

flected in the smiling faces of our Boston friends before me this morning, we know you mean the welcome, voiced so gracefully by the speakers preceding me, and from the many expressions of thankfulness pictured in the countenances of your visitors, I know your cordiality is fully and gratefully appreciated. Hence, it is a pleasant duty to give voice to the gratitude of the many members of the Association assembled here today with the simple words, "We thank you."

As time moves on, we are growing less selfish and each year finds more of our members accompanied by the ladies of the family, happy in the thought that they too may be allowed to share in your generous hospitality. This is as it should be. The refining influence created by the presence of our wives, mothers, sisters and daughters is of immeasurable advantage and is to be encouraged. They too are thankful—glad to be with you—and the happy, whole-hearted way in which they will enter into that part of the entertainment especially provided for them, will indicate more plainly than any feeble words of mine, their thankfulness.

From the "Book of Books" we glean that beautiful sentence "It is more blessed to give than to receive," and the joy and satisfaction the members of the Boston association have already reaped in the thought of a service well and faithfully performed, should fit them for the corresponding crown.

Boston, you have wrought well; the assured success of this convention now assembled, attests it. Your guests have naught but praise for your untiring efforts culminating so delightfully in what we have seen on every hand, and my inability to express adequate appreciation is most distressing. I am glad to be with you; we are all glad to be with you, and I again say, members of the Boston Credit Men's Association, we thank you from the bottom of our hearts. (Great applause.)

President New—We will have a further response to the addresses of welcome from the president of the Pittsburgh association, Mr. Enoch Rauh.

Response to Addresses of Welcome by Enoch Rauh, Pittsburgh, Pa.

It is a distinct pleasure for me to be here with you in Boston today, in this city noted alike for its educated citizenship, its broad culture and its public spirit. It is indeed a rare privilege to be received and entertained by men and women of that genuine hospitality for which this city is proverbial.

I deeply appreciate further the distinction and honor which has been accorded the Pittsburgh Association of Credit Men, in that I have been invited to take part in the splendid program of this convention, for I recognize it is an honor both to my organization and myself to be able to take part by responding to the addresses of welcome.

I am happy indeed to be with you today, to be in Boston, a city of such magnitude, such importance, and such culture, a city that has within its environs monumental business enterprises, magnificent educational institutions, and is so far advanced in all that bears on civic, religious, social, industrial and economic thought.

National conventions of thoughtful, observant, ambitious men as we are, brought together in a spirit of good fellowship, result not only in forming ties of friendship and comradery, but also in cementing those

loftier and more ennobling sentiments which we cherish as men representing and standing for the highest American ideals.

Today our country is reveling in commercial progress; our prosperity, despite a depression locally here and there, is still unrivaled. Ninety-eight per cent. of the vast volume of business of this country is done on credit in one form or another and therefore it devolves upon the sagacity, the perspicacity, the fine discrimination of the credit man, to keep our whole commercial fabric safe and sound. It is through the adoption of his sane methods, through his judicious granting of credits, that the business health of the nation is maintained.

Our Association has within it enormous power for good and it bids fair to become far more than at present, one of the potent forces and one of the great factors in meeting human needs and advancing industrial progress.

I have indeed an exalted opinion of the profession of the credit man. In my judgment he should rank as high and be given the same deference and respect as the lawyer, minister, physician or editor. His work is arduous and exacting, it is necessary and it is beneficial. It calls for a high degree of acumen and talent and the business world should give to him zealous and enthusiastic support.

In conventions such as this we meet to take counsel, one with the other. We are strengthened by the knowledge that through this national body, much good has been accomplished and still more good can be consummated. Credit is the keynote to all business, it is a mission and a trust, it carries with it important duties and grave responsibilities. It is therefore our bounden duty so to educate ourselves in its many phases and its varied complexities, that we may meet its demands in a sane, orderly and logical fashion.

Credit makes a study in which ethics plays no small part; character, honor, morality and integrity are commanding in their influence. All normal, healthy, legitimate trade depends on credit. How important then that the credit man watch carefully every barometric change in the business world.

Again I wish to assure you upon behalf of the officers, directors and members of eighty-one affiliated branches of this great national organization, of our unqualified appreciation of your splendid welcome and hospitable greetings.

Boston is full of charm, of history, of interest and I wish to add my gratitude to that already expressed for your liberality, courtesy, kindness, cordiality, and for the splendid entertainment you have arranged.

May this convention be fruitful of good results to your progressive city, and may we in turn carry away with us, not only a deep and lasting memory of ideal hospitality, but also thoughts and suggestions which will prove helpful and inspiring in the performance of our peculiar responsibilities.

President New—You will note that the next order of business is the presentation of the president's annual report. (Applause.)

Annual Address of the President, Harry New

Fellow Members of the National Association of Credit Men:

It is a source of great pleasure to me to greet this convention in this historic city, hallowed by the memory of the loyal citizens and events that shaped the destiny of this nation. We are on ground dis-

tinguished by the valor of our fathers, their constancy and their sacrifices.

With a fine spirit and in an appropriate manner have you maintained the memories and memorials to the men and women of Boston Harbor, Bunker Hill, Lexington and Concord; the example of their lives has left an ineffacable impress on our minds and hearts. May it continue to be an inspiration to us and to the coming generations. May a kind and faithful Providence always keep their memories green to serve us as a sun to lead us ever on to greater national usefulness, a pilot star to guide us through the nights of our national life.

It is quite fitting on this our seventeenth birthday that we too shall remember the men, the founders of this organization, who by their sacrifice and loyalty to our cause, made it possible to rear this splendid structure, the National Association of Credit Men.

It has been said that "Peace has its victories as well as war." Thinking men believe that commerce will be the final factor that will bring about the peace of the world. Should this be so, our mission will constantly grow, and benefits from our efforts, which are even now well defined and evident, cannot help but be wider in their influence and more beneficial to the national business life.

I do not believe in making rash statements merely to cater to our own conceit, but I must give expression to my belief, that our organization has become, and justly so, a national influence. It has aroused the business conscience and lifted it to a higher plane of ideals in a way that no other effort or force has ever been able to do. It has reached out and served the people, the masses, and not allowed itself to be the tool of any body of men or individuals to be used solely for selfish purposes. I believe, therefore, that we have at this time, the full confidence of everyone, and business men believe in our aims and purposes. These simply stated are, to promote business principles so that commerce can and must be conducted on honorable and equitable lines. In other words, we stand for such policies as will enable all engaged in trade to secure a square deal. We want nothing more, we will not be content with anything less. This, and nothing more, do we strive for, or have stood for from the beginning of our organization.

The credit men's movement was popular from the beginning. If its growth suffered in its earlier years, it was from the fact that many feared they would be giving more than they received by subscribing to its principles, but time and experience show that broad-gauged policies laid down by us were more often helpful in fostering safe and sound business conduct, and what is often the deciding factor, ultimate profit to be derived, than the narrow, selfish methods in vogue.

There are many associated with us who may have been our critics, but are now among our most loyal and ardent co-workers. They found that the things for which we stood worked to their ultimate advantage; that nearly everything we tried to accomplish had for its object conservation, the saving of waste.

It has been in this as in other organizations, the custom for the presiding officer to review the period of his stewardship, and like a prudent mariner, take his latitude and ascertain his position.

I feel that our Association is at this time as strongly cemented as ever, and as I promised when I took the office twelve months ago, to

do my utmost that no backward step be recorded, my promise and hope have been fulfilled, due to the loyalty of the rank and file of our membership to our cause, and its willingness to serve our interests.

As is well known, the activities of our work centers in the office of the secretary-treasurer. Mr. C. E. Meek, who so ably filled this position for eight years, resigned last June to enter new business duties, to which field he took with him the best wishes of our entire membership. His ardent zeal and devotion to duty, to which he brought great ability and constructive generalship, coupled with a genial personality, endeared him to all of us, and the record he made by building up this organization, made his tenure of office, both in membership and service, one of which we are all proud. We felt that the high plane to which he brought us demanded a man of unusual attainments to assume the tasks of the position he vacated, to carry forward the work where he left it.

Your directors were much relieved when Mr. O. G. Fessenden agreed to assume the duties of this office until such time as we could fill the position, and from June, 1911, to January 1, 1912, he served us in that capacity. The organization owes much to Mr. Fessenden for his past interest and leadership, to which is now added an additional debt of gratitude for his helpfulness and personal sacrifice during the six months when he so ably occupied the position of acting secretary-treasurer, and I wish to express to him my personal thanks for the relief he afforded me when he agreed to serve in this capacity, and for the pleasure it proved to work with him.

In October, 1911, I called a special meeting of your board of directors at Chicago for the purpose of electing a secretary-treasurer, at which time we selected Mr. J. H. Tregoe, who took the office January 1. It is unnecessary to allude here to Mr. Tregoe's past service to our organization, in the ranks, on its board, and for two years as its chief executive. He has grown with us, and has been a part of this organization almost from its first inception. He knows its aims, traditions and ideals as much as any member, and had much to do with shaping its policies.

We were indeed fortunate in securing Mr. Tregoe's services, but a position that has been filled by a Prendergast and a Meek is one that will make unusual demands on unusual men.

I have come in close relation with Mr. Tregoe since his incumbency of this office, and I feel that we have in him a man at the helm who has the individuality, the ideals, and the capacity to furnish us the proper inspiration, and the ability to keep us working and to guide us aright. I bespeak for him your hearty co-operation, and as you come in contact with him and his work, I know you will all feel as your directors do, that we have chosen the most able man in or out of our organization for this most important post.

A change in executive management checks progress in any organization until new men get their bearings. I feel, however, that our year's progress suffered but little, if any, from this cause.

The business year through which we have passed has been one of hesitancy in many lines. I might say that business has been marking time; development has been well in hand, little or no over-production of products, everything has been conducted along safe lines. We again face a presidential year with its incident real or imaginary retarding of progress.

We have long ago come to the conclusion that this is not only a fair weather organization, but its policies and co-operative efforts can be depended upon, to have their influence when confronting all sorts and kinds of conditions.

It is generally felt that progress in any organization is indicated by the maintenance and addition it makes to its membership. Accepting this basis, the past year has met the test. We have in the past five years of our organization, practically doubled our membership, and the increase in the past year has equaled the yearly average during that period.

This has also been the record year for new organizations to become affiliated with us. Nine new associations were added to our roster which now numbers eighty-one associations.

During the past year we have added a new standing committee on commercial arbitration, which deals with comparatively new work in this country, and I believe we can probably help develop this useful field in our various communities, either by taking the initiative or by assisting other bodies in the establishment of the arbitration facilities.

We have now fourteen special and standing committees, and to their reports of progress in their respective fields, I request your consideration and thoughtful attention. The men who make up these committees have our thanks for the earnest efforts they have given us. I will not anticipate their reports by alluding to them, except to a few problems to which I invite your especial consideration.

Adjustment bureaus are now operated in forty-two of our associations and are productive of much good. When rightly conducted, they should be a power, tending towards economy in the handling of bankrupt estates, or in many cases helping a dealer tide over a period of stress.

They can also be helpful in properly administering bankrupt court affairs, and assist in investigating fraud when it exists. We must remember that these bureaus can only do effective work when they are operated and continue on the plan of their organization, made effective through co-operative effort of managing committees and creditors' committees, in addition to a permanent manager or commissioner.

These bureaus were organized by the various associations to serve the purposes and needs peculiar to their own communities, guided in a measure only, by rules laid down from time to time by the Adjustment Bureau Committee of the National Association. I believe this adjunct of our work can and should be made more effective, and with the expenditure of time and money which is now being made for this purpose, we should assist through the national organization, by doing all we can to bring these bureaus to the highest possible point of efficiency.

To aid in bringing this about, I would like to see the incoming board consider the question of engaging the services of a man, the most capable that can be secured, to work under the direction of the Adjustment Bureau Committee and the National office, his duty to be to study the bureaus now in operation, assisting them by expert knowledge in the administration of their affairs, by suggestions and other means of helpfulness, and to aid associations which have not as yet engaged in the work, to establish bureaus.

I believe that this method should be tried, and feel that it could be worked out so that in time these bureaus will be brought to a higher state of usefulness and will not be subject to the criticism so often directed against them, and feel assured that all associations will welcome expert services sent from the National Association.

Our interest in bankruptcy legislation continues unabated. We must be individually watchful and alert in the handling of our cases so that we may receive the benefit of this legislation, to the enactment and improvement of which we have given so much time and effort. This measure will only be of fullest use to us if we will make it our business to see to it that no mal-administration is permitted, and thus permit the law to become a subject of attack from unfriendly sources. Those charged with its administration are always more than anxious that business men should follow the working out of their cases, thus realizing better results on assets, and economic, careful and speedy disposition of cases.

The investigation and prosecution of fraud is now engaged in by a large number of our associations. In some communities by the effective and untiring efforts of the branch associations, practically all attempts to commit commercial fraud have ceased. I hardly believe that many of our members realize fully what has so far been accomplished by us in this work.

Our beginning in this field a few years ago was modest, but the work has been kept up in a determined, and in many centers in such a systematic manner, that an evil-doer will think twice before he does what he would have done freely a few years ago.

I believe that before many years, membership in this organization will insure us against the depredation of commercial marauders. They will be made to feel that our members had better not be included among their creditors when participating in a questionable failure.

A large portion of our associations are so intrenching themselves to carry on prosecution work, that they rarely fail when undertaking to prosecute a case. The past year has seen marked development in this branch of our work.

Our interest in fire protection and fire waste, as well as all matters relating to fire insurance continues unabated. The visit of our vice-president, Mr. C. E. Meek, with the secretary of the National Fire Protection Association, Mr. Franklin H. Wentworth, to twenty-seven of our associations during the past year in the interest of fire protection, will no doubt bear good fruit in the communities visited and in the country at large.

Throughout the year many tributes have been paid to our organization for the effectiveness of the work we have done in this field, and it should be our aim to continue along similar lines in the future, with the knowledge that we will be fully recompensed through direct benefits to ourselves and will be helping in the effort to conserve life and property, which is our object in engaging in this cause.

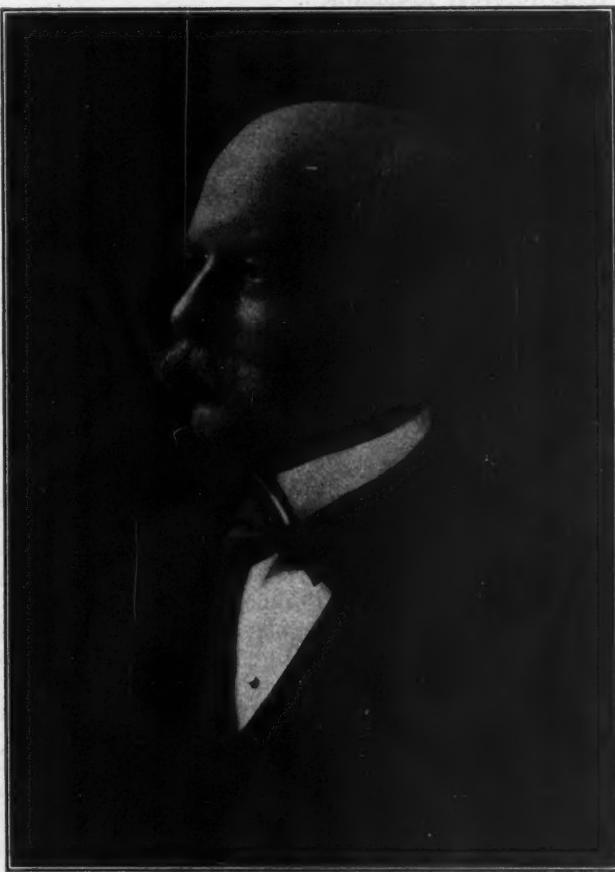
Thanks to the efforts of the National Monetary Commission, we are nearer to the enactment of sound currency legislation than we were twelve months ago.

The support given by our organization and other mercantile bodies, has done much to arouse the present interest in this important national question, and to create favorable sentiment towards the main features of the measure now pending.

Credit granting is constantly calling for a higher and better type of men. We are meeting the situation in various ways. Our publication, "The BULLETIN," is being steadily improved under the supervision largely of Assistant Secretary Orr. The variety of live business topics it treats, kindred to the work of the credit grantor, helps cultivate theories and

gives as well practical suggestions on subjects that we should know and understand.

Recently, also an important movement has been undertaken in several cities; by a number of educational institutions, participated in or originated by members of our Association, looking to the establishment of courses in credits and allied branches, teaching young men the theories of credit granting, and the general work of credit departments, which will no doubt make them better equipped when called upon to fill positions at



GEORGE E. MELIUS
The H. O. Canfield Co., Bridgeport, Conn.
Director

the credit desk. This movement is being welcomed with interest and will no doubt grow and develop.

We must continue our efforts in the direction of raising the standard of our profession so that it may be looked upon always as one requiring men of the best calibre and greatest ability, experts in the science of credit granting. We can do much if we properly exert ourselves, to reduce commercial mortality, and lessen the waste incident thereto.

During my term of office I visited ten associations, and everywhere sincere interest was manifested. I regret that I was not able, because of lack of time, to accept all the kind invitations extended to me by numerous other associations.

The spirit of co-operation and friendly feeling between credit men has been strongly engendered by the "getting together" spirit afforded by our association work.

The individual members not allied with local associations, have been kept in touch constantly with our work, through the National office, and their interest maintained.

Altogether, I feel that we have today a powerful united force of picked men, nearly 16,000 strong, ready at call to defend the system of legislation and other means necessary to aid legitimate business, much of which have been acquired through our efforts, and prepared to carry forward demands for further needed improvements.

The growth of our Association, the success that has attended our work, will not exempt us from continued and constant diligence.

As we continue to grow, new men must be added to the ranks of our active workers, men who must be trained by those who have given so much thought to our movement, so that we shall be constantly assured of a well organized and interested membership, spread over the length and breadth of this land.

This condition will be necessary to maintain the ground that we have gained, and to meet the future problems which are bound to present themselves, and which the most trained human foresight cannot anticipate.

It should ever be our aim in the future, as in the past, to concentrate our efforts on matters solely affecting credit granting. This field alone is ample in its possibilities and scope for our endeavors.

The most able men in our movement have always cautioned us against being lured into other channels of effort. My intimate connection with the organization in the past few years has distinctly proved to me that this doctrine is sound; and to previous warnings I extend the hope that this Association will confine itself to those channels it has followed and is following.

To the directors and officers who have served with me, for their many acts of kindness, helpfulness and assistance, I wish to express my thanks.

Now, gentlemen, we have met to deliberate for the next four days and listen to many able addresses by men who are recognized authorities on the subjects they will discuss. Can I ask your kind attendance at our sessions and give these men and the chairmen of your committees, when they present their reports, your respectful hearing.

This is your convention. May it prove of interest and benefit to all, so that when you will again take up your business duties, you will feel that you have added to your knowledge, and have been benefited by touching elbows with your fellows assembled here from far and near, and further stimulated and refreshed by the genial hospitality and entertainment to be afforded us by our host—the Boston Credit Men's Association.

I take this occasion to thank you one and all for your confidence, and for your loyalty evidenced on every side. I am not unmindful of the compliment paid me by the election to this office, and the

memories of the associations it has brought, and your good-will will always have an abiding place within me. (Prolonged applause.)

President New—We will now receive the report of Secretary-Treasurer Tregoe. (Great applause.)

Annual Report of the Secretary-Treasurer, J. H. Tregoe

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

I am unable to subdue a feeling of peculiar strangeness in making my initial appearance as your most responsible officer.

Conning in memory my close and pleasurable touch with this Association in past years, I am inclined to indulge a tenet of my individual faith and say that Providence has decreed that our lives should be inseparable.

January 2, 1912, marked my entrance upon this important work as your secretary-treasurer, and a sincere hope was then indulged that a fellowship of happy and satisfactory service had been established. By a curious twist in circumstances, not of frequent occurrence, my predecessor assumed this position whilst I was your executive; and holding in mind the scope of the national work at that period and the duties performed by the National office, I was amazed to discover how vastly it had expanded within the period of eight years, and how multifarious, important, and of real value were the duties devolving upon, met and executed by the National office. I recognized that the prophetic vision of the inaugurators of the National Association of Credit Men was being fulfilled, and that a noble and indispensable part was being played in the better and proper defense of credit.

You are to be sincerely congratulated upon the work of my predecessor, your now honored second vice-president, Mr. Meek. The plans inherited by him were energetically and consistently carried forward, new policies inaugurated, and a system generally which in operation could not but reflect his good judgment as an officer and his loyalty and interest in the welfare of our Association established. I felt it a distinction to be his successor.

The National office is beyond peradventure the heart of our system. The efficiency and honesty with which it is conducted is the best assurance of our enduring and successful work. Under no circumstances should its proper proportions be limited, its workmanship cheapened, its position questioned, its efficiency injured. I speak thus strongly from no selfish motive, but under the impulse of strong conviction. Its value has only in the slightest measure been demonstrated, and as our members gradually rise to the knowledge of this important arm of the service and the co-operation and assistance it can render their individual credit departments, its usefulness will increase; and there is every indication now of a growing conviction upon the part of our members to the value of this service, for a marked increase has been noted in the demands upon every department of the office work.

The executive office staff, in addition to your secretary-treasurer, consists of thirteen, with a systematic apportionment of duties, and through the many years of my clerical and office experience I have never met with more conscientious workers, nor people, even in the minor positions, more devoted to the interests of their employers.

Assistant Secretary Ruth resigned on March 31st to take up a promising work. It was possible, through dividing the responsibilities and calling for a larger degree of service, to take care of his duties without adding to the office staff.

I am conscious in some directions, where local officials are immersed in local work, that a question occurs as to the extent of the National office and the application of the revenues dedicated to the National work. It cannot be understood by some why such a revenue is necessary. Now and then little agitations spring up with this contention, and I believe it is proper to touch briefly upon this tendency in this report.

Our autonomy as an Association is peculiar, yet wisely adjusted and expressive of the highest system in co-ordination and co-operation. Each of our local associations must be fulfilling its part of our responsible work, else there will be an unsafe link in the chain. The several parts, now numbering eighty-two, are co-ordinated and cemented through the National work, and from the heart of the system, which is the National office, there must radiate constantly inspiration, motive and progression. Any weakness in the National work would be reflected almost instantly in the several parts, and now that we have been working out this peculiar plan of autonomy for sixteen years, nothing of more importance is confronting us than cohesion and an unstinted dedication to the enduring efficiency and importance of the National work, and its representative, the National office.

A personal inspection will lead to the endorsement of this argument, and as the National office represents each of the distinctive parts, it should be frequently visited by representatives of the local associations and a full and explicit knowledge of its operations held constantly in mind and circulated among the organized membership.

Your secretary-treasurer will always take a personal pleasure in these visits and cheerfully assist any inquiries made in behalf of our organized membership regarding the duties and operations of the National office and the application of the revenues paid in for its support.

We must take on now the very highest ideals for the commercial welfare and the defense of credit. We shall naturally be called upon to do a higher and perhaps more extensive class of work in the future than in the past. This is no reflection upon the achievements of the past, but complimentary, for the foundation was then laid and now the structure is being erected in all of its architectural proportions.

We must be big in every direction, and it is no imposition upon reasonable prophecy to believe that as a National organization our impressions will be deeply laid on future commercial history and the development of the nation's greatest currency, credit. May this inspiration and vision be welcomed by the delegates and visitors at this convention, and through them radiated to the uttermost parts of our work.

The National office is playing a distinctive part in protecting our members against unfair and unreliable collection and adjustment companies. It would be impossible even approximately to calculate the net amount saved to our members through our office files, that have been very carefully and consistently developed, on these concerns.

I am sure some of the most notorious of these companies which have boasted of their ability to impose upon credit men and have reaped a harvest under apparently shrewd legal advice, are now feeling the strong hand of our system and finding it more difficult to continue their operations and practices successfully. We are determined that the unfair and

unreliable shall not make a living. Their inability to make a living means their absolute extinction.

The legal bureau, established purely experimentally several years ago, has developed into an important department of the National office. Inquiries submitted to the bureau are answered by our counsel after that thought and study which give the opinions a distinctive and real value. These replies, many of them, could not be bought in the ordinary way for several times the annual dues. Our members are using the bureau in a more extended way each month, and with the extension of the inquiries you must recognize that the cost of sustaining the bureau must increase.

I sincerely commend that the legal bureau be continued on a practical and reasonable basis; and that it be open to our members for all reasonable inquiries. The bureau should be saved, however, from abuse through questions which ought to be submitted to individual counsel and for proper recompense.

The bureau is designed to answer legal questions which occur frequently in the ordinary experience of a credit man, and if liberally used add greatly to the value of our work and the service of the National office.

The National Association of Credit Men should always be on the firing line, for the expansion of our commerce and trade constantly devolves responsibilities upon the credit department that are novel and unusual. It was discovered only recently that the growth of our municipalities and the "home rule" idea of government, had added a class of risks that were not systematically provided for in our mercantile agency service or in the usual channels of credit investigation. Municipal credits should be seriously studied by our Association and plans laid for channels of interchange and investigation that will enable our credit men to determine safely and scientifically upon them.

Our foreign commerce must, with the growth of years, expand, and the opening of the Panama canal should develop our trade with the Central and South American states.

The handling of foreign credits has not been seriously considered by credit men generally, nor is there any channel through which scientific and systematic investigation may be made.

These situations force me to urge that your convention authorize the appointment of special committees to study municipal and foreign credits, and to report the results of their studies to the convention of 1913, with recommendations, or to the Board of Directors in the interim, if their results are more quickly attained.

We have been dealing as an Association in better protecting credit, with the unfair and unsafe trader, but it has been forced upon our attention that in addition to this menace there has developed the unsafe and unfair commercial attorney and collection agency. Collusion has been discovered between the forwarders of claims and their correspondents for forcing debtors into bankruptcy and a division of the fees attending the process of the bankruptcy administration. Our collection departments have not heeded the signs of the times, have been too negligent of their interests in passing over their claims to attorneys and collection agencies without following their progress, and taking a personal interest in their administration, discovering only too late that something had occurred which made the results unsatisfactory or poorer than was reasonably anticipated.

It is as definite a responsibility upon our part to eliminate the unfair

and unreliable legal practitioner and collection agency as the unsafe and unfair trader, and your National office is dedicated to this work upon energetic and proper lines. Co-operation will be expected from our members in this protective work, and we have every reason to believe that its prosecution and success will demonstrate the equity and protective features of the national bankruptcy law which is suffering criticism that may be attributed in almost every instance to administration and the absence of interest which creditors are manifesting in the bankruptcy practice. This is a business man's law, and must be administered by business men.



ARTHUR PARSONS
Z. C. M. I., Salt Lake City, Utah
Director

The interest of our Association in insurance protection and prevention has proved more economic and valuable than could be reasonably anticipated when this department of the service was put in operation. Our educational campaigns have received the unstinted commendation of our largest insurance companies and their representatives, and they have recognized our ability to perform this important service as they, the

directly interested, could not perform it, and the bearing of this feature of our work upon credits becomes more apparent as the question is studied, and losses through the lack of fire protection and prevention are closely discerned and analyzed.

This work is consistent with our position against waste of every character, and it is our recommendation that the work be vigorously pursued and a liberal share of our revenue dedicated to its energetic and proper sustentation.

A large number of our associations had the privilege of hearing and entertaining Mr. Franklin H. Wentworth and Vice-President Meek in a long itinerary made in the early part of this year, when fire prevention was definitely presented. The results of their work have been pronounced, as testified to by our local associations which were privileged to entertain and hear these gentlemen.

Our literature must receive thoughtful consideration. Our publications must be to date, readable, and expressive of intelligent and reasonable thought.

Our BULLETIN is receiving uniform commendation. It is a subject of the peculiar care of the National office, and being in a large measure a co-operative journal; all of our organized and individual membership should manifest an interest in its abilities to educate and shape thought in the direction of sound credits by liberally criticising and contributing to its pages. Definite articles bearing upon the increasing and differing features of the credit department should be presented in our literature, and every effort made to educate wisely the credit man to meet the unforeseen contingency and to train him for responsibilities which may suddenly and unexpectedly devolve upon him.

Credits are claiming a wider interest upon the part of our younger men now than ever in our history perhaps. Schools for credit education are springing up, courses on credits arranged in local institutions, and to meet this demand, and shape wisely the trend of credit education, our literature must be the subject of extreme caution and our greatest care. We must be prepared to illuminate when light is required, and to caution when danger may be in sight. Our revenue should be very freely at the call of this department, and for the service of our membership.

Our net increase in membership for the year, as will be definitely set forth in the report of our Membership Committee, was very gratifying, but the resignations annually are in the opinion of your secretary unreasonably large, and it should become now as definite and important a part of our membership department to retain existing memberships as to secure membership extension. This should be the peculiar and thoughtful responsibility of our local associations, and their membership committees.

The disposition is felt to indicate specifically some of the more important and interesting results secured by your national committees, but space will not permit, and it can only be said that as each report is presented you will recognize a very intelligent trend in the departments represented by these committees, a distinctive progress, and an ideality in perception and recommendation that passes on a splendid heritage to our incoming committees.

Our specialized effort to promulgate the doctrine of and develop a sentiment for commercial arbitration has been greatly commended and is undoubtedly one of our best efforts economically speaking. Practical and definite accomplishments can not be recorded as yet in the direction

of this desirable plan, but the idea is growing, and the next year should show very decided progress.

It is important that our committees be so organized geographically that conferences between the members of each committee may be economically and expeditiously secured. Some of the most needed and progressive results presented by your committees of the last year were definitely obtained through conference.

The National office has not been entirely pleased with the facility and unanimity with which communications emanating from the office and touching upon important matters are acknowledged and responded to by local officials. It has occasioned very considerable thought, for a co-operative work like ours should be systematically adjusted, and each local association so equipped that important communications from the National office shall be promptly considered and acknowledged.

In illustration: The Membership Directory, our most important and valuable publication, has not yet been placed with all of our organized members for the reason that thirteen of the local associations at the time of writing this report had not acknowledged our communications regarding the directory nor instructed how their members should be supplied. If we are to accomplish the best character of work, if our organization is to act with prompt decision, if we are to execute our defensive and protective plans effectually, then it is important in the highest degree that our local associations be kept on the alert for communications and suggestions from the National office and acknowledge them within a reasonable period.

It is our sincere hope that the percentage of replies to general communications which are now ordinarily calculated at approximately three-fifths, should be materially increased during the coming year and the delinquent become a very marked exception.

With the increase in membership and the extension of our National work and plans, there may be reasonably looked for an increase in receipts and expenditures each year.

I beg to submit the treasurer's report of receipts and disbursements from June 1, 1911, to June 1, 1912:

Receipts.

June 1, 1911, Balance in bank.....	\$8,669.30
Individual dues received during the year	12,656.04
Organization dues received during the year.....	44,469.85
Sale of Association blanks	1,591.93
Sale of Bulletin	373.80
Sale of Diary	3,842.21
Sale of printed matter	927.96
Sale of badges	222.80
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	\$72,753.89

Disbursements.

Stationery and printing	\$2,263.56
Postage	1,979.15
Organization expenses	9,052.85
Office expenses	12,388.94
Salaries	18,050.91
Prosecution aid	266.50

Furniture and fixtures.....	\$466.75
Membership Directory	2,626.40
Association blanks	1,511.70
Legal fees	3,534.79
Bulletin	8,375.10
Diary	2,382.49
	62,899.14
June 1, 1912, Balance in bank	\$9,854.75
Balance office account	687.81
Total Balance	\$10,542.56

No comments are necessary upon this financial statement. It represents the normal receipts and disbursements with no extraordinary items, except perhaps the Membership Directory that is published biennially and which was provided for from the receipts of this year.

In concluding, this report must emphasize the instances brought to the attention of your secretary-treasurer that made the need apparent for a national fund available for prosecuting commercial fraud. There should be provision for assisting our individual members in notable and proper cases, and I am convinced that a fund of proper proportions would deter commercial crime beyond our very highest anticipation.

The increase of our local associations and their remoteness in instances from the National office make it important and necessary that your secretary-treasurer devote a portion of his time, as shall be consistent with office demands, in visiting with our organized membership and allowing this personal touch with the national work. It will be the subject of his thought and study during the coming year.

Good words will not express the recognition due President New for his unselfish and splendid service of this year. Suffering a disadvantage at the beginning of his administration, he has devotedly considered the interests of the Association and willingly sacrificed whenever it was necessary energetically and properly to carry forward its work.

Your committees are also to be sincerely thanked; and I would be untrue to the best dictates of my nature were I to refrain from acknowledging at this time the many expressions of regard and good wishes extended me when assuming this important office, and that have served to encourage greatly the dedication of my best to its success.

Respectfully submitted,

J. H. TREGOE,
Secretary-Treasurer.

Mr. Tregoe—I can not present my very dry report, so dry at times that you will hear it crack, without first expressing the keen sense of appreciation I feel at the words of President New, whom I have learned to love very much during these five months, and at the expression of regard you have here given me. I can have no sincerer hope than that during the term of my office I shall always hold your complete regard and affection. (Great applause.)

Mr. Charles E. Meek, New York—I recognize the obligation that I am under to Secretary Tregoe and in an effort to repay the same, I move that that part of his report dealing with the general work of the Association be accepted, and that that part of his report dealing

with the financial condition of the Association be referred to the auditing committee which will be appointed.

Motion seconded and unanimously carried.

Mr. Max Silberberg, Cincinnati—It is customary, I believe, that the president's report be referred to a committee; and for the reason that there are several recommendations of importance in his report I move that the president appoint a committee of three to consider the recommendations contained therein and report its conclusions to this convention.

President New—The president's report will go to the Committee on Resolutions, if that is satisfactory.

Mr. Silberberg—Certainly, entirely satisfactory.

Mr. James E. Porter, Pittsburgh—Are there printed copies of the secretary-treasurer's report ready for distribution?

President New—There are none, but copies will be ready by tomorrow.

Mr. E. H. Decatur, Boston—The treasurer of the commonwealth has extended to you the welcome of the commonwealth; our mayor has passed you the keys of the city, and it now devolves upon me to tell you how to make use of these good things. (Mr. Decatur then made announcements regarding the plans of entertainment arranged by the Boston association. He also presented greetings from the Boston Lodge of Elks, who extended the privileges of their club house to all members of the Association during convention week.)

Secretary Tregoe—I hold several communications which I will read at this time.

Louisville, Ky., June 18, 1912.

Mr. J. H. Scales, care J. H. Tregoe, Secretary National Association of Credit Men: My trunk is at the station, but at the last moment I find I can not leave. Hope you are all enjoying yourselves. Regards to all.—F. M. Gettys.

Seattle, Wash., June 17, 1912.

Harry New, President National Association of Credit Men, Boston, Mass.: May this convention prove the best yet held. My inability to attend is a source of keen regret.—J. W. Spangler.

Nashville, Tenn., June 17, 1912.

J. H. Tregoe, Secretary National Association of Credit Men: Nashville delegation left here and one of our local members is short two shirts and two neckties. Have strict search made and if guilty parties are found hold awaiting advice from our local authorities. Suspicion points to McWhorter, Harris, Hill, Solinsky, Myatt, Sullivan and Crockett.—The Home Guard.

Secretary Tregoe—It is a matter of keen regret that Mr. William Walker Orr, our Assistant Secretary, cannot be here because of sickness; but my assistant, Mr. Montgomery, jumped into the breach, and with the assistance of Mr. Perkins is getting out "The Convention Daily."

A recess was here taken until 2.30 o'clock P. M., same day.

FIRST DAY

Tuesday, June 18, 1912

AFTERNOON SESSION

The afternoon session of the first day was called to order by the president at 3 o'clock, P. M.

President New—I will announce the appointment of the following committees:

COMMITTEE ON RESOLUTIONS

Charles D. Joyce, Philadelphia, Chairman.

A. F. Maxwell, Pittsburgh.	D. L. Sawyer, Milwaukee.
Edward F. Sheffey, Lynchburg.	B. K. Knapp, Portland.
K. T. Green, St. Joseph.	Charles Reynolds, New Orleans.
W. B. Munroe, St. Louis.	J. Alfred Thompson, Indianapolis.
R. W. Higgins, Duluth.	H. E. Smith, Columbus.
A. J. Gaehr, Cleveland.	W. C. Tevis, Kansas City.
H. J. Thomas, Denver.	H. T. Hill, Nashville.
J. Howard Edwards, Youngstown.	W. T. Hovey, San Francisco.
W. F. McAvoy, Baltimore.	J. G. Davis, Dallas.
W. A. Petzold, Detroit.	

COMMITTEE ON NOMINATIONS

Frank S. Flagg, New York, Chairman.

W. A. Hopple, Cincinnati.	Chas. Knorr, Wichita.
E. A. Young, St. Paul.	A. H. Bullard, Bridgeport.
C. H. Dodd, Seattle.	H. S. Howard, Burlington.
E. H. Decatur, Boston.	C. H. Walker, Grand Rapids.
A. H. Dobson, Utica.	R. S. White, Chicago.
H. S. Draper, Rochester.	H. C. Burke, Jr., Fort Worth.
Clarence Braden, Louisville.	George R. Barclay, St. Louis.
Max Kulman, Savannah.	W. W. Smith, Fargo.

COMMITTEE ON CREDENTIALS:

J. H. Tregoe, Chairman.

C. L. Whichard, Norfolk.	Frederick J. Smith, Buffalo.
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AUDITING COMMITTEE:

F. H. McAdow, Chicago, Chairman.

J. W. Porter, Pittsburgh.	Frank H. Randel, Cleveland.
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President New—The next order of business is the reading of the rules for the governance of the convention. They are printed on page 9 of the pamphlet containing reports of committees and unless special request is made we will dispense with the reading of them. (So ordered.) The next order of business is the announcement of the appointment of chairmen of state delegations. Naturally this list is not yet prepared. We will ask the various delegations to agree upon state chairmen and give the names to Secretary Tregoe as soon as possible.

Mr. O. G. Fessenden, New York—The Pittsburgh delegation has offered an amendment to the constitution calling for an increase in the membership of the Board of Directors. In the usual course of

business proposals to amend the constitution are not reached until late Friday afternoon being under the item of miscellaneous business. This matter, however, is so important that I ask unanimous consent that the question be taken up now, so that the convention will have time to digest it and act with some deliberation.

President New—The motion is made that the amendment to the constitution proposed by the Pittsburgh association regarding increase in membership in the Board of Directors be made a special order of business at once, instead of awaiting miscellaneous business on the last day of the convention. The proposed amendment has been duly published and reads as follows:

AMENDMENT PROPOSED TO ARTICLE VII OF THE CONSTITUTION OF THE NATIONAL ASSOCIATION OF CREDIT MEN.

"RESOLVED, That the Constitution of the National Association of Credit Men be amended by striking out ARTICLE VII and, instead thereof, adopt the following as ARTICLE VII:

ARTICLE VII.

Officers.

The officers of the Association shall consist of a President, a 1st Vice-President, a 2d Vice-President, a Treasurer, a Secretary and a Board of Directors, consisting of twenty members and the President, 1st Vice-President, 2d Vice-President, the Treasurer and the Secretary, by virtue of their offices.

The President shall be Chairman of the Board of Directors.

At the annual convention in 1912 there shall be thirteen Directors elected, three of whom shall be elected for the period of one year, and ten of whom shall be elected for the period of two years, and thereafter, in each year, there shall be elected ten Directors whose terms of office shall be two years.

When the membership of the Association reaches 20,000, the Board of Directors shall be enlarged from year to year by the election of one additional Director for each thousand members or fraction thereof in excess of the above basis. Such additional Directors shall be elected to serve two years.

The terms of office of all other officers shall be one year or until their successors shall be elected, and all officers shall serve without compensation, except the Secretary, whose salary shall be fixed by the Board of Directors."

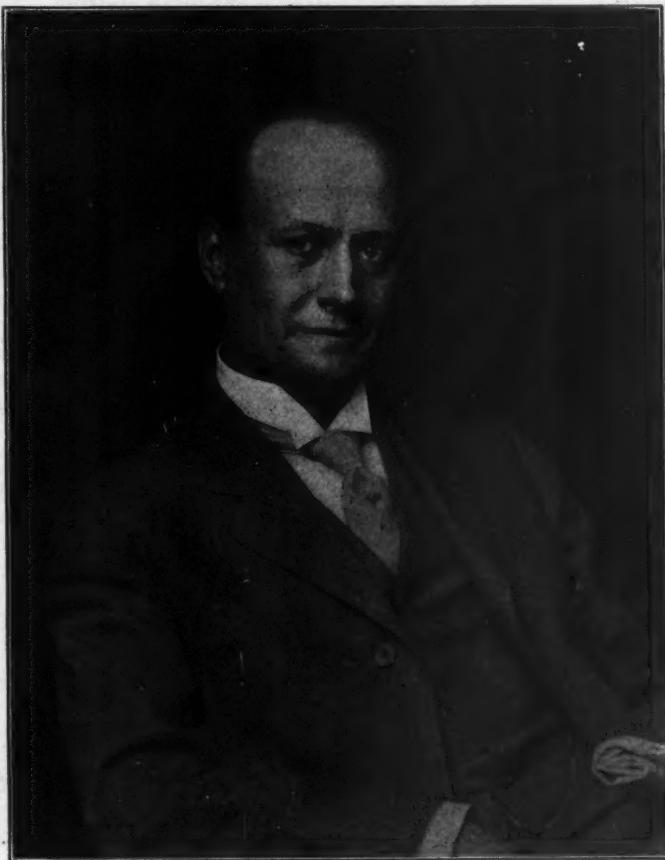
Mr. James E. Porter, Pittsburgh—I would much prefer as a member of the Pittsburgh association that action on this amendment be made the special order of business for some hour tomorrow or Thursday. I have talked to members of different associations, and they prefer to have it made a special order of business for Thursday morning, following the reading of the report of the Bankruptcy Law Committee, which is scheduled for 10.05. If Mr. Fessenden would agree to that I would like to have him do so.

Mr. Fessenden—I think if you will let the matter pass it will be fixed up.

Mr. Porter—I withdraw my objection for the time being.

Mr. F. H. Randel, Cleveland—I have examined this resolution and also one drawn up by the St. Louis association, and I believe there are

one or two more that are likely to be offered. Now, the amendment as offered by Pittsburgh and that of St. Louis has each distinct merit; if the question is handled without proper deliberation on the floor I believe we are going to miss some of the good features of the different measures offered. All of the good points offered we must agree should be contained in the constitution. The time has arrived, I believe, when the increase of the directorate should be made. We are working now under the constitution as amended some four or five years ago; since then we



H. G. MOORE
Wire Merchant, Kansas City, Mo.
Director

have increased greatly in membership, and I believe the time has come when that part of the constitution relating to number of directors should be amended and amended rightly.

In order to get out of what is before us all the good that there is, a committee should be appointed by the convention. I therefore move that the chair appoint a committee of six to consider this amendment proposed by Pittsburgh as also the St. Louis proposals, and any other

proposal along the same lines that the delegates would like to offer, said committee to report on Thursday to this convention, as suggested by Mr. Porter. I think that is the proper way to handle the question and I offer it as a motion.

Motion seconded.

Mr. F. H. McAdow, Chicago—If we leave this question in the hands of the committee, will its report be received in time for action, so that the Committee on Nominations can bring in report on directors at the proper time for the convention to take action?

President New—if the report is in Thursday morning I think it will be sufficient time.

Mr. McAdow—May that not be too late? It is most important to get the report of the committee in time. The time for receiving the report of the committee should be fixed and fixed for a day early enough.

Mr. Randel—if the convention thinks Thursday is too late Wednesday would be satisfactory, but I believe Thursday will be early enough.

President New—Thursday morning would be ample time as far as the work of the Committee on Nominations is concerned. The motion made by Mr. Randel is that the amendment proposed by the Pittsburgh association and any other related amendments, be referred to a committee of six to be appointed by the chair, the committee to report Thursday.

Motion seconded and unanimously carried.

President New—The chair will appoint F. H. Randel, of Cleveland, as chairman of that committee, with O. G. Fessenden, of New York, Enoch Rauh, of Pittsburgh, George R. Barclay, of St. Louis, F. B. McComas, of Los Angeles, and E. A. Young, of St. Paul.

This committee can have its hearings whenever it pleases, and can invite to its meetings all interested and be ready to report findings to the convention on Thursday.

We will now listen to an address by a man who stands high in this community and in the state of Massachusetts, who is interested deeply in educational and other matters of social betterment and has had a far-reaching influence. He will address us on the subject of "The Responsibility of the Business Man for a Sound Social Development." I am pleased to introduce to you Mr. Frederick P. Fish, chairman of the Massachusetts Board of Education. (Great applause.)

The Responsibility of the Business Man for a Sound Social Development

BY FREDERICK P. FISH, CHAIRMAN MASSACHUSETTS BOARD OF EDUCATION, BOSTON, MASS.

Mr. President, Ladies and Gentlemen:

As I understand it, this Association which I have the privilege of addressing is an illustration of a thought in business relations that is rather new. It illustrates a new form of co-operation. Business men have always worked together more or less. They had to; but it is only in comparatively recent years that they have recognized a truth that I think now is generally regarded as fundamental, that each may persevere in his own business, each may compete fairly, honorably and successfully, as the case may be, with others in the same line of business, without necessarily keeping to himself everything that he knows and utilizing all that he can find out, as in the nature of a trade secret.

Business men have begun to recognize that secrecy and stand-offishness do not represent a sound or a wise policy, that they can get together not merely socially and not merely formally, but in an intimate relationship which will lead to the exchange of experiences and the transmission of information and of sound ideas from one to the other. That is a real co-operation which I think has already accomplished much for business and which will accomplish more. And we see it everywhere, it is at the basis, not only of your Association, but of the very great number of manufacturing and business associations, national and local, that have sprung into existence all these years; and all the business men have found out that there is no sacrifice of individuality and no real loss in genuine co-operation; but on the contrary a great gain. By it they have been able to raise the standards of business; by it they have been able to help each other without unnecessary self-sacrifice, and I have not the slightest doubt that as a result, the public has profited enormously; it has profited because methods are better and of a higher character, because you men and others like you have gotten together; and more than that I believe that it has profited in the increased economy of production and distribution that has followed from your Association, and the reduction of cost to the consumer which undoubtedly arises from better business methods.

The one thing that I hoped to suggest today (and there is nothing new about it) is that this same spirit of co-operation which I think has done so much for the business men in their own work, should be, and might wisely be, carried further; and that there might well be similar co-operation on similar principles in the great questions that are troubling this country today.

Before touching that point I should like to say a word as to your responsibility in the community as business men, carrying on your own business; for if you are able to carry out that responsibility on sound lines you can certainly deal on sound lines with the more extended responsibility of our great national questions.

Your responsibility is great; it is not only the responsibility of doing good work in each business with which you are connected, but it is a responsibility for high moral and ethical standards of business. Not only are standards of that sort essential to real prosperity, as you all know, but there is one phase of the question which may not have occurred to you as strongly as it does to me, and that is the force of your example in matters of right and wrong, in matters relating to the underlying principles of good character and good activity, that have been shown to be sound throughout the history of our race.

Commerce and trade concern us all. Commerce and trade are controlled largely by the business men; but not only are millions of us relying for our livelihood upon an intimate relation to commerce and trade, but those of us who are not exactly engaged in that exercise are just as much in touch with it; for the farmers, the professional men, the women, the children of the community, and those who do no active work whatever, are all consumers, and as such are in touch every day with trade and commerce, and therefore are influenced to a marked degree by the standards of trade and commerce, and of the men who are engaged in trade and commerce. If those standards are high they react throughout the community, and the tone of the community is raised; if they are not as they should be, then there is a corresponding depreciation in the moral sense of the community so that

the business men have the great responsibility of being the most conspicuous examples for good or for bad throughout the land. I personally think that there can be no question that they have carried this responsibility well. I further believe that there has been a very great improvement in that regard during the past few years. It may well be this fact is based partly upon just such associations as yours, but perhaps even more upon the underlying spirit upon which such associations are based. I think that today the tone of business is better than it ever was.

I sometimes think that there are among the standards of business men many that are substantially higher than those imposed by law. Now, I am not, in saying that, in the slightest degree casting reflections upon the law or its rules. I believe that the law as it now exists is one of the great triumphs of the human race, that its rules are well suited to the conditions under which we live, and to us as a people. But the law does not aim at the highest standards; it does not aim so much at ideals as it does to meet the average conditions of the community; and it is only reasonable that in many instances the community should instinctively adopt standards and ideas of right and wrong that are in advance of those of the law. That is not always the case. There are some laws, and among them I think may be mentioned some phases of the anti-trust laws, that are now so much before our eyes, which business men do not understand. Business men can not recognize or appreciate their necessity or validity; and therefore they do not always live up, as they should, to the exact requirements of the law, even if they know them. Such will always be the case. There will always be certain phases of the law which are not approached sympathetically by the people. But take it by the large, the business men of the country have high standards and in some instances these standards are beyond the law. For example, you all know what is known as the statute of frauds. There is a provision therein by which many commercial contracts can not be enforced unless they are in writing. The law so rules and wisely perhaps in view of the general necessities of the situation. But you all know how many contracts there are throughout this country, made in good faith, that are not in writing; and you all know what your opinion would be of a man who went back on a contract that was honestly and fairly made, simply because there was not the written memorandum that the statute of frauds requires. Sometimes defense on the basis of absence of written contract is pleaded by business men in a case, but I am satisfied that if the subject were to be investigated, you would find that in almost every instance where a defendant tries to get out of a contract on such ground, you will find a quarrel has been the cause; you will find he has felt that he has been wronged by the other side and has gotten into that frame of mind where he will take up any defense for the sake of getting rid of an obligation which he does not want to meet for some other reason; he is ready to adopt a defense which to him is not honorable; for I believe business men as a whole are definitely of the opinion that a contract made in good faith ought and must be carried out, whether it is in writing or not. The law says but very little against lying and misrepresentation. There are some situations in which the law intervenes, but generally speaking, this subject does not come under the law; and yet what does the business man think of a liar or one who misrepresents? What is the position of a man worth if he gets a reputation in business of not telling the truth? The standards of business men are higher than those of the law. The law does not say that a man's word must be as good as his bond, but that condition more

and more has been demanded of business men and this fact goes to show the high ideals that business men have.

Again, how many of you business men have known during the last ten or fifteen years of contracts, many of them entered into with the utmost good faith and involving a good and a sure profit,—but contracts which, if enforced vigorously and viciously, if the party who would gain by the enforcement had concluded to do it, would have proved unfair to the other party, because of the change in the market or because of some change in conditions not contemplated by either; and the man to whose advantage it was to enforce that contract, has allowed it to be cancelled or modified, and why,—because outside of the law he said it would be harsh and unreasonable and unjust to enforce that contract; and when he came to that conclusion he let the other fellow off. I believe such situation and results very frequently happen; and it is a good thing that they should happen. It brings out fairness,—more than that, it shows intelligence; for undoubtedly intelligent self-interest is to some extent back of such conduct. But it is a great question whether intelligent self-interest is not back of a great many moral ideals of which we are proud.

I am not enough of a business man to illustrate directions in which I think you should work for improvement, but two occur to me which I will venture to suggest.

It has sometimes seemed to me that business men were a little too much inclined to vary their prices and terms of sale, without adequate reason. There can be no doubt that prices and terms of sale sometimes should be varied. We must conclude this when we consider the many business men who have been of great use to the community and who have gotten into a difficult position from which they could be saved only by the friendly attention and the friendly help of other business men, very frequently in the way of special terms or special favors. You cannot say that there should be an iron-clad rule against special favors in all cases. But if, as is undoubtedly the fact, the men who demand special favors, special terms of payment, special extensions of credit and things of that sort, are not the best men in the community; if the men who insist upon getting some advantage are not the strong, sound concerns; and if, as I believe is the case, those who are of first rate and who are sound and steady and fine in their business methods, do not ask for those favors, then it seems to me a very unfair thing that there should be discrimination in favor of the less worthy. Yet I have reason to believe such discrimination frequently takes place, indeed much more frequently than is fair and good. Discrimination of this sort should be distinctly exceptional and justifiable by unusual conditions.

Now, one other plan, where it seems to me that business men have done a great deal in the way of progress, but where they may do a great deal more—I refer to the movement for accuracy in the representation of goods, and the corollary movement by which there are laws now galore providing that there shall not only be no misrepresentation but that in food products there should be nothing harmful introduced and the constituents should be advertised.

There is a great solid foundation for that movement, which has gone so far by way of legislation, and it is a movement which the business men ought to foster, because it means good business, more business and sounder business; it is a movement which the business men should control by taking it into their own hands and by looking the situation squarely in the face and finding out where there are misrepresentations, if any,

where there are deleterious elements introduced into food products, where there are advertisements presenting untrue statements as to width of goods, or other statements not justified by the facts. Business men should give thought to this movement, because truth makes good business; it will make the public feel at home and satisfied and ready to spend their money for the right things; and next, because if the business men do not control the movement for treating the public truthfully, the movement may proceed to unreasonable lengths. There have been laws passed already by ignorant legislators that bear harshly upon business, and unless business men superintend the situation and act with utmost wisdom and honestly instruct the legislatures in the directions in which they should work, it is very probable that laws may be passed that will bear very harshly upon perfectly sane and sound business enterprises.

So that among the responsibilities of business men for building up a sound social condition is that of doing their business according to the highest possible standards, recognizing what is right and what is wrong, not sentimentally, but in a manly fashion and sanely, taking into account all these conditions of life, and forcing the public to see that they are doing business on a high plane. These business men will help themselves, and more than that, their influence will react throughout society, so that the same high principles which I am urging them to adopt and which they have adopted to a large extent, will react to improve the character of the whole community.

But I want to go one step further. In this matter of co-operation there is, as a whole, no class in the community which can be expected to have the great influence on our social development that the business man should have and can have. Business men are everywhere; they are in close touch with every phase of every situation; they are men who are trained to a large extent to accurate thought; they are men who are trained to sane examination and sane investigation of the problems that are before them. They have the qualifications to analyze and study complicated situations in such a way as to bring simplicity for the purposes of improvement or correction; and that particular phase of thought, that particular kind of effort, is most essential to us today.

Let me briefly name some questions that are now before the country in a large way for solution: the tariff, banking reform, the relations between labor and capital, the recall of judges, the initiative and referendum, immigration, child labor, and the question as to how the enormous matters that are of pure business carried on by our national, state and municipal governments should be conducted. Are not those great questions? Are not those questions that every one of you, and every business man in the country, is deeply interested in? If the questions are not settled aright, business will suffer. That is one phase, but you were all American citizens before you were business men, and I say if these questions are not settled aright, the American people will suffer, not merely because business will suffer (and our people suffer whenever business suffers) but they will suffer in many other ways.

At present, as it seems to me, we are drifting without a rudder on all these questions, or drifting with pilots who are sometimes narrow minded, sometimes pure sentimentalists, and sometimes entirely incapable of seeing things in their true perspective.

Now, what do we need, to handle these grave matters to the best interests of all our people? We must ask that a large portion of the community, competent to engage in study and work upon these questions

in some systematic way, shall do so. There are individual business men here and there that are studying conscientiously, but how ineffective is any individual effort when you are dealing with 90,000,000 of people in this country, and when you are dealing with millions in almost every state who are up against these problems! The time has passed when individual effort is going to accomplish much in dealing with matters of great national or state importance. What we need is co-operation. Now, who is there that is co-operating on all these questions? How many of you gentlemen have given any one of them so much study that you feel that you are able to point out even one phase and solution? And yet you are all competent; there is not a class in the community that is more competent to deal with all those questions than you are. But in order to deal with them you have got to apply just the same principles that you have applied in coming together in this association,—that is, sane co-operation, the sacrifice to some extent of individual interests, and then the development of a plan, a scheme of administration, by which those matters can be studied by proper experts; so that when the results of the expert study are presented to you, they shall be studied again by you who are quite competent to judge of the views of the experts; and when you have got the views of the experts and have crystalized them into the same sound views of the body politic as represented by you, then you have got to institute and carry on a campaign of education that will bring all the people into line, first, to look at these questions unselfishly, from the point of view only of the public good, and not the good of any particular class in any case, and next, to force legislators to take the same sound view that the full investigation and careful study of the problem require.

Are we always going to live as now without leaders in these subjects to which I have called your attention? Of course, now and then a college professor will write an article, or a business man may write a letter to the newspapers; but what comes from these spasmodic attempts? Very likely the college professor does not know the whole truth, and if he does no one believes that he does, and his views are not taken up and studied by a large portion of the community; and so they fall flat. The same is too true with the letter of the business man—nothing comes of it.

Some way must be found, some large way, in which there shall be that kind of co-operation in the business (for it is a business) of studying these great big questions, that you gentlemen have developed for the study of those questions which are, to be sure, of importance, but relatively of small importance, arising in commercial affairs and legislative matters.

One thing has occurred to me that I venture to suggest, although it may be absolutely futile to hope for any development on that line, and that is this: You are only one of very many organizations covering this country—organizations of business men, manufacturers and commercial men covering this country from one end to the other. You have bankers in every state and in every state there are combinations of business men working together on their own large problems or small, as the case may be, on local problems, sometimes on national problems, doing just the kind of work that we need to do in our political situation if we are going to solve our really great questions in a way that will be for the greatest good of the greatest number.

Now, why is it not possible that there be still another organization

established to be made up of delegates from all of these subordinate organizations, delegates whose duty it shall be to take hold of these important public questions whose solution we are groping for. Is there not some way in which such an organization as I suggest can stand at the front of all these organizations which are now so prominent throughout the country, and perform the task of pointing out safe, sane legislation which will lead us out of doubt and trouble? Such an organization will demand of us money and effort, but there is plenty of both and to



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Girard National Bank, Philadelphia, Pa.
Director

spare. There never was a people so ready to put forth effort to a greater degree or more definitely and positively than the people of these United States. You can find the experts you need, if they are trained and put into harness today, if you work on right lines; and with the money and the experts and the effort and the men that the business people of this country could get together, I believe that the truth could be reached as to these things which are almost appalling in their serious-

ness, and which it seems to me are being dealt with in a slipshod fashion by the present individualistic efforts which control today. You could then deal with our problems as a whole, deal with them sanely, and soundly, and when you come to a conclusion, when you have investigated the whole situation, you could work a campaign of education which would bring the people down to the right views; and when you have done that the rest is easy. There is no doubt that under such method whatever legislation was necessary would be shaped on the lines that sound thought and accurate investigation showed were necessary, and would not be shaped on superficial lines, or on any basis that was merely that of superficial appeals to the emotions.

If the business men outside of their routine labors, outside of their daily work, which is the greatest work in this country and as to which they have a tremendous responsibility not only for the way in which they do their business, but for the results of their method on the social system, if, I say, business men should find some way in which they could get at and deal with these great questions, they would then be doing yeoman's work in establishing and developing a sound social situation.

I hope, gentlemen, that some time or other we shall get to a point where such work as I have outlined shall be done. I firmly believe that when that time comes, in the very nature of things, if the work is sound and right, the business men will be at the front. (Great applause.)

President New—We are all deeply grateful to Mr. Fish for his most instructive address. He has certainly given us much food for thought and I would like to see our Association rise to the solution of at least some of the questions that he has pointed out are confronting us as business men and citizens.

We will now listen to the report of the Membership Committee, of which Mr. Ira D. Kingsbury is chairman.

Report of Membership Committee

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:

Your committee begs to submit a comparative report of our organized and individual membership as of June 1, 1912, and June 1, 1911.

	June 1, 1911.	June 1, 1912.
Atlanta, Ga.	129	135
Baltimore, Md.	458	472
Birmingham, Ala.	65	52
Boise, Idaho	27	25
Boston, Mass.	382	426
Bristol, Va.-Tenn.	—	39
Buffalo, N. Y.	333	336
Burlington, Vt.	26	26
Butte, Mont.	32	32
Cedar Rapids, Iowa	38	38
Charleston, S. C.	—	31
Charleston, W. Va.	48	53
Charlotte, N. C.	—	25
Chicago, Ill.	1,120	1,125
Cincinnati, O.	213	255

	June 1, 1911.	June 1, 1912.
Cleveland, O.	660	700
Columbia, S. C.	—	33
Coluribus, O.	188	201
Dallas, Texas	81	83
Davenport, Iowa	31	30
Decatur, Ill.	33	34
Denver, Colo.	172	155
Des Moines, Iowa	67	78
Detroit, Mich.	411	495
Duluth, Minn.	55	61
El Paso, Texas	42	46
Fargo, N. D.	41	39
Ft. Smith, Ark.	19	17
Ft. Worth, Texas	112	99
Grand Forks, N. D.	—	33
Grand Rapids, Mich.	289	301
Houston, Texas	22	23
Indianapolis, Ind.	102	103
Jacksonville, Fla.	23	42
Kansas City, Mo.	178	199
Knoxville, Tenn.	35	43
Lexington, Ky.	36	42
Lincoln, Neb.	46	51
Los Angeles, Cal.	132	173
Louisville, Ky.	122	134
Lynchburg, Va.	37	36
Memphis, Tenn.	198	220
Milwaukee, Wis.	263	274
Minneapolis, Minn.	224	252
Montgomery, Ala.	38	44
Nashville, Tenn.	144	141
Newark, N. J.	374	375
New Castle, Pa.	20	18
New Orleans, La.	231	262
New York, N. Y.	1,209	1,280
Norfolk, Va.	105	159
Oklahoma City, Okla.	90	67
Omaha, Neb.	99	113
Philadelphia, Pa.	635	705
Pittsburgh, Pa.	919	1,012
Portland, Ore.	213	211
Providence, R. I.	—	42
Pueblo, Colo.	33	28
Richmond, Va.	142	159
Rochester, N. Y.	215	245
St. Joseph, Mo.	78	87
St. Louis, Mo.	461	502
St. Paul, Minn.	190	193
Salt Lake City, Utah	126	123
San Antonio, Texas	30	48
San Diego, Cal.	41	36
San Francisco, Cal.	176	171
Savannah, Ga.	40	38

	June 1, 1911.	June 1, 1912.
Scranton, Pa.	—	29
Seattle, Wash.	211	235
Selma, Ala.	26	26
Spokane, Wash.	90	92
Springfield, Mass.	—	38
Syracuse, N. Y.	110	113
Tacoma, Wash.	52	60
Toledo, O.	126	133
Utica, N. Y.	64	80
Wheeling, W. Va.	—	67
Wichita, Kan.	62	102
Wilmington, N. C.	44	52
Youngstown, O.	154	160
Individual	1,386	1,532
	<hr/> 14,424	<hr/> 15,845

This report shows that there was a total membership on June 1, 1912, of 15,845, making a net increase for the year of 1,421. Of this increase, 1,275 is credited to organized membership and 146 to individual membership. Fifty-two local associations increased their membership to a greater or less extent; four remained stationary, and seventeen showed a net loss. The net loss of the seventeen local associations averaged six for each; in the previous year eighteen associations showed a net loss averaging eight for each. The gross increase of the year averaged approximately fifteen per cent., resignations approximated five per cent., and the net increase approximated ten per cent.

Just previous to the closing of our membership list for the year some of our local associations "cleaned house," reporting a large number of resignations. Such deductions had to be overcome, and your committee sincerely believes that you are to be congratulated upon the showing presented, representing as it does, a clean record, and reflecting a very ready and responsive spirit of co-operation upon the part of our local associations and their membership committees.

Due to office conditions, the net increase from June 1st to January 1st was 182, so that the results we report today had to be reached quickly and the efforts of your committee to this end were most warmly responded to in nearly every direction. The response indeed indicated, as it seems to your committee, a very healthy condition upon the part of our local associations, and a lively interest in and loyalty to our purposes and work.

NEW ASSOCIATIONS

This has been a distinctive year in the organization of local associations. The report submitted includes nine, established in the following cities:

Bristol, Va.-Tenn.	Grand Forks, N. D.
Charlotte, N. C.	Providence, R. I.
Charleston, S. C.	Scranton, Pa.
Columbia, S. C.	Springfield, Mass.

Wheeling, W. Va.

The organizations at Bristol, Charleston, Charlotte, Providence and Springfield came largely as the result of the efforts of our field

worker, Mr. R. B. Heacock, and the larger number of the new associations have been personally visited by your secretary-treasurer, and their formative period and early development has been very carefully watched.

A local association at Chattanooga, Tenn., was organized under the personal supervision of our national director, Mr. H. E. Choate of Atlanta, representing the secretary-treasurer, but the list of initial members, numbering forty-five, was not received until after the lists for the year had been closed. This organization, however, really falls within the boundaries of the year under survey in this report, and gives us a total of ten local associations organized, the largest number, perhaps, in any one year of our Association's history.

It was apparent to your committee that many of our smaller cities, in which individual membership had been carefully cultivated, were getting themselves into position to organize local associations, and also in some of the smaller cities isolated associations of credit men patterned after and inspired by our work, but never affiliated with our Association, were found.

The question of organizing local associations in the smaller cities and bringing about and establishing an affiliation between associations now organized and the National Association of Credit Men, will confront future committees more definitely as time goes on, and every preparation should be made to handle each case on its individual merit, and to exercise every reasonable precaution in organizing local associations and affiliating with those now operating independently.

Your committee does not believe it wise to organize as a general rule with a smaller initial membership than twenty-five, the initial membership to be graded on the basis of the population of the city where organization is contemplated, and on the development of its banking and commercial interests. There should also be very definite assurance of good prospects and enduring interest to assure the success which every local association should properly attain, and when a local association is once organized its progress should be most carefully watched and developed by the Membership Committee and National office, and through these mediums our policies and purposes should be clearly stated and understood.

CHARACTER OF MEMBERSHIP

At this period of our development it is the conviction of your committee that we should exercise greater discrimination than ever in the character of our membership. The real value of our Association in the defense and protection of credit has been demonstrated and is now recognized by our leading banking and commercial houses. The annual dues charged for membership in the National Association and its branches may be said to be nominal when compared with the value credit departments can get from their connection; and the dignity and purposes of our work should be advanced each year to higher ideals.

With the consciousness of our accomplishments and the power of our Association to defend and protect credits when the membership is generously co-operating, we must scrutinize our membership applications and the local associations should more and more adhere

LIBRARY
to the standard established in the Constitution and By-Laws of the National Association relating to membership qualifications.

We cannot hope to increase numerically in future years as we have in past years, for many of our cities where local associations are established have been closely worked, and there must be no departure from the standard of proper qualifications and the desirable character of our membership simply for the sake of gratifying our ambitions for numerical increase.

RESIGNATIONS, ETC.

The resignations from our membership annually appear large to your committee, and it has thoughtfully considered the reasons which could explain the major part of them.

It is only natural that in a membership so large as ours, there will occur annually, retirements, changes, etc., which will account for quite a proportion of the resignations. By far the larger part, however, must be attributed to lack of interest upon the part of the members in our work, and a failure to test its value to their credit departments.

A great many banking and commercial houses are still unable to comprehend how credit interchange has been improved, adding safety to this department of the business; nor if they did comprehend, would they recognize what force is responsible for improved conditions.

It should be a definite responsibility now of our local membership committees to formulate plans that will determine what are the main causes of resignations, and it should be their direct responsibility to decrease the percentage of resignations just as truly as it is to show a net increase in membership after these retirements have been overcome.

More intelligent, continuous and persistent work will be required of our local membership committees now than has ever been called for heretofore, and we urge that this subject of our report be most seriously considered by all, and effective campaigns of education for the cohesion of the membership be begun, in conjunction with plans for membership extension.

FIELD WORKERS

In some of our newer states we are without a member. These states are developing; banking and commercial houses are growing up, and when the various committees of the National Association are planning for uniform work, it is found impossible to make an impression in these states, because of the absence of any representative in our membership. This fact was realized by your Legislative Committee when endeavoring to secure the enactment of our false statement law in Arizona.

We urge that the incoming committee consider this condition, and its application to our work; and even though the development of these states may be very expensive at the outset, the committee must realize that for the advance of the work and especially from the point of uniformity, it is desirable that our field work be extended to these states, even though in the first instance there be actual loss to the Association.

At present your Association has but two field workers, Mr. R. B. Heacock and Mr. T. B. Howard. Mr. F. J. Stockwell, who has represented the Association for ten years, has retired and his retirement will occasion a rearrangement of territories and very thorough consideration of our field work upon the part of our National office and the incoming Membership Committee.

SCOPE OF ORGANIZED MEMBERSHIP WORK

The National office has met with some unpleasant incidents this year through a misunderstanding of our national policies with reference to membership extension work of local associations beyond the boundaries of the cities where local associations are located.

We feel it is advisable at this juncture to emphasize the national policy for, if it be observed, friction or misunderstanding will be prevented.

In some instances the fact that comparatively small commercial and



IRA D KINGSBURY

L. Adler Bros. & Co., Rochester, N. Y.
Director and Chairman, Membership Committee

manufacturing points are adjacent to larger cities where our local associations are operating, probably makes it desirable to have the smaller cities join with the larger cities, and especially so when the smaller cities have not been cultivated by our field workers and individual memberships secured. In every case, however, agreeable to the national plans, where a local association desires to cover an adjacent city, negotiations

should be entered into with the secretary-treasurer of the National Association in order to secure the approval of the officers and Membership Committee of the National Association before undertaking any membership campaign. The officers and Membership Committee of the Association will always confirm the extension of local influence if such extension will not conflict with plans already in operation.

The officials of our local associations should note this rule, and for the sake of uniformity and good order, observe it consistently.

LITERATURE, ETC.

At the suggestion of your committee, the National office prepared and issued a pamphlet of "Suggestions for Local Membership Committees." These suggestions were taken from membership plans which had been tried out in some of our local associations and found effective, and it is the conviction of your committee that this booklet was in a measure responsible for the liberal membership additions reported after its issuance. We suggest that the booklet be amended and issued during the coming year as an inspiration and guide to our local membership committees, emphasizing as it does the high character of the work devolving upon our National Membership Committee, and the fact that proper results can only be reached through a sincere and liberal co-operation between the National and local Membership Committees.

In some cases it was discovered, to your committee's surprise, that local associations did not consider local membership committees of any value. We sincerely hope that each and every local association will have such committee appointed, and place upon it the ablest and most enthusiastic from among their members.

CREDIT CLUBS

A suggestion came to your committee that in the smaller cities and towns where a local association can not be sustained, and where our individual memberships number five or more, "Credit Clubs," if possible, be formed. These clubs simply organized, withholding none of the membership dues from the National Association, but for the purpose of bringing the local credit managers together, and of instituting co-operative features for the defense of their local credit departments, might prove stimulating to our work, but upon its practicability your committee did not reach a conclusion. It is a suggestion that will be passed on to the incoming committee.

MEMBERSHIP CAMPAIGNS

It is the conviction of your committee that membership extension in our organized work should parallel the period during which the local association is operating at its highest tension. We deprecate what is termed a "whirl-wind campaign," for it so frequently happens that memberships gathered in during such campaigns fail of the impression which comes through a longer and more explicitly conducted education, and too large a proportion retire at the expiration of one year.

The "house cleaning" referred to in the first part of this report is largely attributable to these campaigns, and your committee urges upon local membership committees that their plans be arranged for continuous work, that they meet frequently, outline definite plans of action, and pursue them through the entire course of the Association's activities. Instead of confining their work to a week or two, committees should

continue it over not less than eight months of the year. We consider this most important for the substantial development of our membership.

You can distinctly appreciate, through the unvaried tone of this report, the feeling of your committee that the National Association of Credit Men has played a tremendous part in the commercial welfare of our nation, and is entitled to the enduring and generous support and testimony of the banking and commercial houses within our borders—of all who recognize the value of a high standard in credit interchange, and that the nation's greatest currency, credit, must be defended against imposition and fraud.

Summarizing, your committee begs to tender the following resolutions:

I

"Resolved, By the National Association of Credit Men, in convention assembled, that the extension of the membership for the year, submitted in this report, be viewed with satisfaction, and in order that the work may be continued on a basis comporting with the dignity and influence of this Association, our local associations be urged to maintain efficient local membership committees, and to place upon them men best representative of their purposes and work.

II

"Resolved, That retirements and resignations be discouraged through the formulation of definite plans suggested and developed through local membership committees, such as weekly or monthly meetings, regular and frequent issues of literature, etc., so that the purposes and policies of the work may be fully and truly comprehended by the entire membership.

III

"Resolved, That our local associations encourage membership extension, and that the local membership committees inaugurate membership campaigns paralleling in duration and extent the activities of the local association, and make their work continuous and thorough rather than brief and superficial.

IV

"Resolved, That the local associations be urged to exercise discrimination in membership qualifications, conforming more closely with the requirements set out by the Constitution and By-Laws of the National Association.

V

"Resolved, That the incoming committee be urged to continue the preparation and issuance of "Suggestions for Local Membership Committees," conforming with the booklet prepared and issued this year by the National office.

VI

"Resolved, That the incoming Membership Committee be urged to consider the field work, so that our new states may be properly cultivated, and consider also the advisability of suggesting the formation of "credit clubs" on simple lines in the smaller cities and towns not now prepared to sustain local associations, keeping in mind that such clubs shall not conflict with the control exercised by the National Association over its individual membership.

VII

"Resolved, That officials of local associations be urged to observe the plan adopted by the board of directors of the National Association, to govern membership extension beyond the geographical boundaries of the city where the association is located."

Respectfully submitted,

J. J. DOLPHIN,
JULIUS H. LEMPERT,
C. A. MERRIMAN,
FREDERICK J. SMITH,
IRA D. KINGSBURY, *Chairman.*

MEMBERSHIP SCALE.

1896	[Bar]	600
1897	[Bar]	1,591
1898	[Bar]	2,332
1899	[Bar]	2,536
1900	[Bar]	3,006
1901	[Bar]	3,572
1902	[Bar]	4,004
1903	[Bar]	4,554
1904	[Bar]	5,327
1905	[Bar]	6,061
1906	[Bar]	7,509
1907	[Bar]	8,647
1908	[Bar]	9,791
1909	[Bar]	11,185
1910	[Bar]	12,796
1911	[Bar]	14,424
1912	[Bar]	15,845

Mr. Kingbury—I move the adoption of the report and of the resolutions as read.

President New—Is it your wish to consider these resolutions as a whole, or shall we adopt them singly.

Mr. F. H. Randel, Cleveland—Heretofore we have considered all these resolutions singly, and this being the first report before the convention, I think it would not be well to entertain the entire set of resolutions as a whole. Therefore I move that each resolution be considered individually.

Motion seconded and carried.

Resolution No. 1 was then read.

On motion made, seconded and unanimously carried the resolution was adopted.

In like manner, resolutions 2, 3, 4, 5, 6 and 7 as presented by the

committee, were each read and on proper motions, duly made and seconded, unanimously adopted.

Mr. C. C. Robertson, St. Louis—I desire to offer the following resolution:

"WHEREAS, There have been admitted to membership in various local associations, firms and individuals who are not entitled to membership under our constitution, and there has thus grown up an irregularity in qualification for membership, therefore be it

"Resolved, That in the future the secretary-treasurer be instructed to return to local associations all applications for membership made by concerns which cannot become members under the provisions of the constitution."

Mr. A. H. Foote, St. Louis—I think the resolution is a proper one, and I move its adoption.

Mr. E. D. Flannery, New York—While Mr. Robertson's resolution seems in some respects excellent, we should not act on it too summarily. I therefore move that it be referred to the Committee on Resolutions.

Mr. Adolph Landauer, Milwaukee—I second the motion.

Mr. Robertson—I do not see why we should not debate the proposal now. It comes under the heading of the committee's report and should be discussed at this time. The report of the Committee on Resolutions is oftentimes presented with very few present, and now is the time to discuss this particular matter.

Mr. Flannery—I am in favor of the resolution, but I think it should be passed upon in the proper way.

Mr. W. B. Fish, Cleveland—I would request that the secretary read that part of the constitution referring to membership in this association.

The secretary read the part of the constitution referred to:

"ARTICLE III.

Sec. 1. (a). The membership of this Association shall consist of credit men representing firms, corporations or individuals engaged in any legitimate line of business where credits are given, and members of associations of credit men hereinafter referred to as affiliated associations."

President New—The motion by Mr. Flannery and seconded by Mr. Landauer is to refer this resolution to the Committee on Resolutions.

Motion lost.

President New—The secretary will please read the resolution again. (Resolution of Mr. Robertson of St. Louis reread.)

Mr. William Koester, New York—What classes of concerns have been admitted that do not come under the requirements of our constitution?

Mr. Robertson—I examined the recently issued Membership Directory and found many attorneys admitted into membership; nine of our associations admit collection agencies; fifty-two out of seventy-eight admit mercantile agencies to membership; one association has gone so far as to make Bradstreet's representative the president of the organization, a thing that is entirely out of order in an association of our character. (Great applause.)

President New—The secretary will read the qualifications for membership in the National Association.

Secretary Tregoe read from the constitution as follows:

"ARTICLE III, SECTION 1.

"(b)—Membership shall be divided into two classes, viz.: Organized and Individual.

"Section 2. (a). Organized membership shall consist of those who are members of affiliated associations.

(b)—Any affiliated association more than sixty days in arrears in dues to this organization shall be reported by the secretary to the Board of Directors for such action as it may deem proper, and may be dropped from membership by said board.

(c)—Upon the payment of dues by an association as herein provided there shall be issued to such association a certificate, signed by the president, the secretary and the treasurer under the seal of the Association, setting forth that said association is an affiliated association or branch of the National Association of Credit Men and accepts such certificate subject to the constitution and by-laws of the National Association of Credit Men. No association shall withdraw from the National Association of Credit Men during the year for which the dues are paid, except by the consent of the Board of Directors of the National Association of Credit Men.

"Section 3. (a). Individual membership shall consist of credit men representing individuals, firms or corporations, as hereinbefore provided, who may join the Association directly.

(b)—All applications for membership must be made to the secretary in writing, and shall by him be referred to the Membership Committee whose action shall be final.

(c)—Any individual member more than sixty days in arrears of dues shall cease to be a member of this Association, provided he has been notified at least twice by the secretary of the non-payment of dues.

"Section 4. Any officer, member or affiliated association may be suspended, expelled or otherwise disciplined for cause, provided such officer, member or affiliated association has been served with a written notice of the charges preferred against him or it at least fifteen days before a hearing thereon. Such hearing shall be before the Board of Directors and such officer, member or affiliated association shall have the right to be heard thereon. The action of such Board of Directors shall be final."

Secretary Tregoe—We discover from this, Mr. President, that the qualifications refer to the individual membership in the association.

President New—The chair holds on the resolution before us that it would in effect be an amendment to the constitution and therefore could not be adopted today. My reason for holding that the resolution would be in effect an amendment to the constitution is that the constitution states that membership shall be divided into two classes, organized and individual; and then it says further that organized membership shall consist of those who are members of affiliated associations; it is to be noted that the constitution does not say what the qualifications of organized membership shall be. We qualify only our individual members under our constitution. The chair therefore repeats the ruling that this resolution could not be adopted, that it would be unconstitutional unless offered as an amendment to the constitution, and so framed, and as such could not be acted upon at this convention.

Mr. H. C. Scott, St. Louis—I appeal from the decision of the chair. You have placed a qualification right there in your own constitution as to what a member's qualifications shall be; his qualifications are clearly

named. The constitution in Section 1 says what these qualifications are. In the phraseology of Section 1 you have placed upon the local associations the responsibility of complying with the qualifications required by the National Association.

Mr. B. K. Knapp, Portland—I call attention to the fact that the resolution before us if adopted must necessarily operate as an amendment to the constitution of the National Association, for the reason that Section 1 of the National Association provides that the membership shall consist of credit men—it does not say firms, corporations or individuals,—but credit men *representing firms or corporations*. In many associations credit men have been admitted to membership who afterwards have become individually practising attorneys. After having been admitted to membership they cannot be rejected or expelled. Therefore, this resolution if now adopted in form presented necessarily will amend the constitution of the National Association.

President New—Subject to correction the chair holds that the resolution presented cannot be acted upon in this convention.

Mr. E. D. Flannery, New York—I would like to see the question of membership qualification get before this body in some form or other. I think if the motion I made a moment ago can be brought before the convention by some one who voted against it moving to reconsider, and then have this question brought before the Committee on Resolutions, it would be well. It can be brought up before that body and something perhaps devised to meet the difficulty. Is there a committee on amendments to the constitution?

President New—There is not. The constitution says with reference to amendments:

"ARTICLE XIV.

"Alterations, additions or amendments to the constitution or by-laws of this Association shall be made only at a regular convention thereof, and by a two-thirds vote of the members represented therat. No proposition to alter, add or amend shall be acted upon unless written or printed notice thereof has been given to the secretary at least thirty days prior to the holding of the convention at which the same is to be submitted for action. A copy of any such proposition shall be embodied in the call for the next regular convention and published in the *Monthly Bulletin* before the date of such next regular convention at which the proposition is to be acted upon."

Recognizing Mr. Robertson's resolution as virtually an amendment to the constitution I hold that it cannot be acted on at this time.

Mr. Flannery—I repeat that I would like to have the matter referred to the Committee on Resolutions, in order to see if there is not some means by which, after careful digestion of the constitution the subject can be brought before this convention. I move that Mr. Robertson's resolution be referred to the Committee on Resolutions.

Mr. Arthur Parsons, Salt Lake City—It seems to me we have already passed a resolution covering this particular case. Resolution No. 4, offered by the Committee on Membership in its report, reads: "*Resolved*, That the local associations be urged to exercise discrimination in membership qualifications, conforming more closely with the requirements set out by the constitution and by-laws of the National Association."

In our own association we are carefully adhering to the qualifications stated in the constitution of the National Association. We are not

admitting attorneys. I believe we are guilty, perhaps, of having as members the representatives of the commercial agencies, Dun and Bradstreet, but we do not find that to our disadvantage, but rather to our advantage. But so far as those other persons are concerned, if they are not credit men we do not want them; nor do we solicit them or accept them as members.

I think the fourth resolution offered by the committee and passed, covers the ground we are discussing.

Mr. Harry L. Eisen, Milwaukee—It appears to me that the resolution offered by our St. Louis friend is in effect an accusation made against the good faith of local associations in respect to their requirements for membership. The resolution is in effect a matter for the local associations, and I agree with Mr. Parsons that it is entirely superfluous.

Mr. E. F. Sheffey, Lynchburg—I am heartily in sympathy with my friend from Milwaukee (Mr. Eisen). I think this resolution points in an unpleasant way directly at the national officers and the officers of the local associations as well, being in effect a charge that they have tolerated unqualified membership.

Mr. F. B. McComas, Los Angeles—I voted against referring to the Committee on Resolutions and therefore I have the right to make a motion that the resolution before us now be referred to the Committee on Resolutions. My particular reason for voting against it in the first place was that there has been in the last two or three meetings of this convention a little tendency on the part of some members to sidetrack all propositions. Many of us want to have these matters discussed, and yet do not want to consume too much time. If that resolution is needed we should have it. Now, we have had a wholesome discussion here; we are all in favor of the resolution if it is necessary. Therefore, Mr. Chairman, I now move to refer the resolution offered by Mr. Robertson to the Committee on Resolutions.

Mr. S. J. Whitlock, Chicago—I believe we are going at this matter in the wrong way. My idea is that the National office, having the power, should if necessary take this matter up with the local associations, confer with them, and straighten them out. Let us get our results in that way. We do not need to consider a resolution on this subject here. It is a matter that ought to be threshed out between the National and local associations. I believe the National Association is competent to do that; and if members have been admitted into any local associations who are lacking in qualifications, the National office should take the matter up with the local association.

Mr. L. B. McCausland, Wichita—It seems to me the thing to do under the situation is to proceed with the regular order of business; and therefore I move to proceed with the regular order of business assigned for this afternoon. (Great applause.)

Mr. H. C. Scott, St. Louis—I believe that the resolution before us should be considered by this Association as a body, and not simply place the onus of it on the National Association. It appears that a number have been admitted to membership whose qualifications do not meet the requirements of the National constitution. The onus should be placed on the membership at large and not on the National Association.

Mr. J. Howard Edwards, Youngstown—I would like to ask whether the purpose of the resolution is to instruct the general officers to carry out the constitution (Laughter). That is exactly it—and I am opposed to

the resolution. I think the national officers can carry on the business of the Association without any particular instruction or resolution.

Mr. George R. Barclay, St. Louis—I believe this matter can be settled here as well as anywhere, and should be settled right now.

Mr. B. J. Fisher, New York—The constitution on this particular point is very clear in prescribing the duties of the local officers; and it simply rests with the officers of each local association to enforce the rule; and I therefore believe the resolution is out of order, and for the



J. W. SPANGLER
Seattle National Bank, Seattle, Wash.
Director

purpose of continuing the business of the meeting, I move that the resolution be laid on the table.

Motion seconded, carried, and so ordered.

President New—We have a treat in store for us. One of the young credit men of New York City, Mr. George H. Williams, a vice-president of our splendid organization in that city, will talk to us on the subject, "The True Place of the Credit Man in Trade." (Great applause.)

The True Place of the Credit Man in Trade

ADDRESS BY GEORGE H. WILLIAMS, NEW YORK, N. Y.

Mr. Chairman, Ladies and Gentlemen of the Association:

Let me thank you for this cordial greeting. You have never heard me before and that may account for it. Furthermore credit men are prone to take an initial risk if the proposition is well introduced. It is indeed an honor to address so important a national body of business men and a distinct pleasure to be with and one of you at this seventeenth annual convention of the National Association of Credit Men.

The warmth of your generous Boston hospitality and the inspiring historic associations of the first great seat of learning and education in the new world—*Old Cambridge*—where my family for generations lived, should make me feel at home and at ease, and if I appear otherwise it is because I feel the necessity of apologizing on behalf of our young national secretary and the New York Credit Men's Association, who are responsible for my presence on this platform to-day. It is too late to retreat, however, so I shall try to tell you incredulous, sceptical, keen, cold-hearted credit men what I believe is: "*The True Place of the Credit Man in Trade.*"

It is extremely unbecoming for one so young to assume such a delicate task and I feel my position keenly, but as you are credit men, you are not only expected to be liberal in checking me from time to time, but to withhold your case from counsel, in the event of my asking extra indulgence.

We are justly proud of the National Association of Credit Men, representing, as it does, an army of sixteen thousand active business men, each one a captain in his own company, the like of which does not exist in any other land; and all well-informed citizens admit that the business structure of our nation is being made better and more substantial because of the activities of this great organization.

Now, if you please, gentlemen, the very foundation of our Association is education; the preamble of our constitution provides for education along the following lines:

- 1st. The better protection of our credits,
- 2nd. The reduction of losses through bad debts,
- 3rd. The prevention of fraud and injustice to creditors,
- 4th. The prosecution and punishment of fraud,
- 5th. The reformation and improvement of our collection laws,
- 6th. The improvement of our commercial reporting system,
- 7th. The improvement of our collection system,
- 8th. The improvement of methods in handling bankrupt estates.

While I am not an insurget, I would change the constitution by adding to it a ninth commandment, viz: "The better protection of the worthy debtor."

Now, my fellow credit men, in view of the very precepts laid down at the inception of our organization and the well defined growing demand for vocational *education* along the line of our endeavor, I unhesitatingly say that in my humble opinion, the true place of the credit man in business to-day "is that of an *educator*, a teacher, an instructor or a moulder of character; if you choose; at any rate, it is within the province and power of the credit man to make for higher commercial ethics and a higher standard of honor in business."

Reverse the code of morals of a large percentage of those who are engaged in commercial pursuits to-day, and make it read: "Get honest, get honor, get on," instead of "Get on, get honor, get honest."

The credit man is comparatively a modern institution, but the rapid development of our country has not only made him a necessity but a fixture. Consider for a moment that our population has increased from about 70,000,000 people to over 100,000,000 people since our Association was formed, and that upwards of 95 per cent. of the business of the United States, amounting to about two hundred billion annually, is transacted on credit, and you cannot fail to appreciate the great big throbbing force of the National Association of Credit Men, which I hope to see soon reach a membership 20,000 strong.

The credit man must be a student; a student of broad and liberal mind; a student of the moral, social, physical, financial and commercial elements, which go to make up the credit risks of to-day. First a student then a teacher—a moulder of character—not merely a dispenser of credit, but a dispenser of good wholesome, helpful knowledge, which goes to make men better sons, better brothers, husbands, fathers and merchants.

The credit man is a business philanthropist; for does he not distribute intelligently millions upon millions of dollars in the form of credit to the struggling merchant? He must, in order to succeed, be a close student of human nature, for the element of personal equation not only enters largely into the accepting of a credit risk, but often plays an important part in the collection of a slow and doubtful account.

This glorious republic, in which it is our privilege to live, of which we are justly proud and for whose flag every man of us would take up arms if the issue demanded it, is more successful and has developed more rapidly and substantially than the governments of generations ago. Why? Rome and the sovereignties of her days were formed and built upon the theory that the individual existed for the *state*, while the more enlightened and modern idea is that the government is formed and exists and is maintained by and for the people. And so it is in our organization; our duty is a patriotic labor of love and we must not expect our reward until the work is complete. Co-operation is the keynote of success.

The topic which our dear secretary assigned to me originally was, "The Real Place of the Credit Man in Trade," and while there may be little difference between the meaning of the two words "*real*" and "*true*," I rather like the ring of the word "*true*," and besides I have heard some debtors designate the *real* place for the credit man which would not sound well in Boston and would hardly pass at a summer resort. The word *truth* suggests the epigram: "Truth is ready made, falsehood made to order," and I am convinced that the credit men of true type are born and not made.

The peculiar nature which the *true* credit man has, that foresight, that second sight, that intuition, that esoteric something which is to be found only in the *true* credit man, forces me to believe that he is a sort of preordained individual. He must of necessity *understand himself* before he can form a correct opinion of others. "This above all, to thine own self be true; and it must follow as the night the day, thou canst not then be false to any man." He must have the courage

of his convictions; he must be firm and just. He is the one man in the establishment who has personal intercourse with more people than any one else, and it is to him they naturally turn for advice and counsel. He must be more or less informed on general matters of business. I am convinced, therefore, that he is the logical teacher of those fundamental principles which go to make up the right sort of merchant, creditor or debtor,—that he must be both ethical and practical.

Do not be a jellyfish. Have the courage of your convictions and go ahead. You may lose the nominal friendship of some men, but you will have their respect. Give me the man who does things, even though he makes a mistake, for the man who never made a mistake never made a discovery and is not and never will be a credit man. There are far too many in this world who make no open breaks or mistakes, because they do nothing, they are not progressive; they are not builders nor producers; they follow the beaten path simply.

It has always been the same since the world began and doubtless always will be, that the man who takes the initiative, who fights for a principle, will be opposed and criticised. Through error of judgment, excess of zeal, he may fail to win, but he has at least not been passive and inactive; he has not been standing still *nor walking backwards*. He has been going forward and if he stumbles he will stumble upwards. Toil is the price of growth, and when I speak of toil, I mean toil of the brain, close, hard, prolonged thinking.

I do not refer to those imbeciles, sometimes observed in large houses, often in responsible positions, who pride and plume themselves upon their industry, fooling their principals and those around them by their hypocrisy. It was my misfortune some years ago to know the head of the office of one of the large banking houses in my town who would not allow the men under him to take the usual summer breathing spell, a compulsory feature in all well-regulated offices, but would always swell up and refer with an apparent show of pride and satisfaction to the fact that he had not taken a vacation for twenty odd years. I told my friend, who was one of the slaves under this martinet, that there was certainly something wrong with the man and sure enough when illness forced his absence from business the firm found he had gotten away with over \$100,000 of their money, at least they admitted that amount.

Educate those under you to make the best of their time and allow them to take a rest when you can, for they will return clear-headed and do their duty better. The deep, hard thinker is usually the best worker.

An incident in the life of the late Edward H. Harriman illustrates this point. When making a tour of one of his many enterprises, his attention was called to a clerk who was buried up to his ears in papers, etc., and was told what a hard worker the fellow was. Mr. Harriman remarked: "I do not like that; I wish he would finish his work and sit back for a while and think."

A lamentable spectacle in business to-day is the routinist, who likes to do things the same old way, is averse to change, detests innovation and goes to seed mentally. Why? Because he finds routine easy and comfortable, while it is wearing and exhausting to grapple with the fresh problems and formulate a new and better system of doing things.

Whatever enriches and broadens the mind, widens the sympathies, shuts out prejudice and suspicion, and strengthens the character, is a

valuable business asset, since it is a broad, liberal man, not the slick sharp one who wins in the end.

We are living and operating in a period of great activity where the largest, as well as the smallest, business transaction is consummated with almost equal despatch. Not forgetting the farmer, who is the real producer—and we have too few in this country—I am convinced from recent developments that the merchant is the real ribs and backbone of this country and he is beginning to realize the importance of taking an active, personal interest in municipal, state and national questions.

We elect to our state and national legislatures too many stand-patters and dyed-in-the-wool politicians, and through their activities faulty and pernicious legislation is enacted and placed upon our statute books, and we, the merchants, must submit to this sort of thing.

Tell me, please, what class of citizens knows better what is essential to our welfare as a nation than the merchants, not having yet degenerated, and I hope and trust we never will, to the point which ruined the republics of generations ago. While we may not enter politics, nor go to Washington as representatives of the people, we can exert a potent influence for good along the line of aiding good business legislation and helping to defeat the other kind.

One feature, in particular, should always receive our well-defined opposition whenever it presents itself, and that is, the periodical hue and cry from certain politicians for the repeal of the present bankruptcy act.

Teach the new customer to keep proper books of account, to carry good and adequate fire insurance.

Teach the mercantile agency reporter first the character of information you want, and secondly, how to obtain it, if necessary. A great deal depends upon the commercial agency information, which depends entirely upon the character and ability of the reporter who gathers and compiles it. He is really the very bone and sinew of the mercantile agency—the man who meets merchants and sizes up the situation. He should be capable and well paid, but in most instances is not, though the ability is often present with the other.

Teach the salesman that you are his friend and as desirous as he to swell the legitimate sales of your house. Go over his list of customers and cut out the bad names, thereby saving both time and expense, and add good ones. I have found the good salesman a good friend to the credit man. The time was not long ago when the credit man was a mysterious individual, at least he operated in a zone of mystery and rarely ever took the salesman or anyone else into his confidence. To-day the credit man is no longer the crank, crab, sallow-faced dyspeptic of some years ago. He is becoming broader and more liberal in his ideas. He no longer believes the sales manager is trying to deceive him.

Teach the debtor to consult his creditors in times of stress; show him that you are his friends by accepting a fair compromise and leaving him a nest-egg with which to continue business. Disprove his attorney's advice that you are a blood-thirsty, heartless wretch who will take his all and prosecute him in the bargain.

Teach creditors to co-operate in their mutual interests, but do not stunt and dwarf a principle because others will not join you in the fight; there are always myriads on the fence who are with you when the contest is won.

Teach them that the province and duty of the credit man or creditor is not merely to exercise his best judgment in sending merchandise or

money out on a sixty days', ninety days' or four months' trip, but likewise in seeing that it returns plus a profit.

Teach him to take advantage of the information which comes to every wide-awake credit man as to the weakened or precarious condition of a debtor. Go to him in your interest and his own; take him by the hand, first, and tell him your mission is to aid him; diagnose his case, and if it is serious, have a consultation with other creditors and prescribe a remedy, an adjustment. It can always be done. If he will not let you take him by the hand and lead him to a place of safety and back to health, take him by the throat and force him to see the light and your right to protect your interests, which through incompetency or rascality are no longer safe in his hands. Fools and knaves make up a large percentage of those who fail in business and one is about as dangerous as the other. We pay hundreds of thousands of dollars, yea, millions, in the aggregate, annually to secure information upon which to base the credit we extend and yet fail utterly oftentimes to take advantage of well-defined information which comes to every diligent credit man, regarding a debtor who is on the slide, the downward grade, preferring, it would seem, to sit passively at your desk and wait for the inevitable *yellow* or *pink* notice from the agency, or the lawyer's letter telling you the end has come, when you have for days, weeks, perhaps months, known, *as only credit men know*, that the particular debtor was developing financial tuberculosis. Do not complain at the penalty if you sit idly by in such a case.

Gentlemen, fellow credit men, if you were in your library at home, with your family about you, and detected a strong odor of smoke, would you investigate at once or lie back in your easy chair until the clang of the fire engine brought you to your senses? That illustrates the situation in which we often find ourselves.

Teach creditors to withhold their claims from soliciting attorneys, not only in bankruptcy cases, when it is quite essential, but at all times, at least until they are familiar with the facts.

In commenting upon an article recently written by the well-known and able New York attorney, Mr. Julius Henry Cohen, entitled "The Growing Disrespect for Lawyers," a learned Philadelphia lawyer said: "Our profession being one maintained exclusively by the use of the intellect has always been misunderstood or feared by the man who toils with his hands."

With the growth of *education*, however, and the increase of intelligent and literate city dwellers, the status of the lawyer has tended to rise rather than fall. In bankruptcy practice, as in all other branches of the law, there are lawyers who abuse their opportunities. "No chain is stronger than its weakest link."

As we do not come under the classification of those who toil with their hands I think it is safe to say that we understand something of the legal profession and may presume to comment on the weaker links of the chain of lawyers who practise in the bankruptcy courts.

Teach the attorney how unprofessional it is to solicit your claim for the purpose of placing or forcing some unfortunate and often deserving debtor into bankruptcy, which is the last step taken in the interest of a client by an attorney who really desires to do justice to the embarrassed merchant who goes to him for legal advice.

Abraham Lincoln once said in a lecture before some law students: "Discourage litigation, persuade your neighbors to compromise whenever you can, point out to them how the nominal winner is the real loser

in fees, expenses and waste of time. *As a peace maker*, the lawyer has a superior opportunity of being a good man. There will still be business enough. Never stir up litigation. A worse man can scarcely be found than the one who does this."

Teach the lawyer who, perhaps under the guise of an association or collection agency, advertises for your legal business and appeals to you in the crimson painted form of sacrifice sale of his services, that you do not approve of his low, undignified, unprofessional tactics, by positively refusing to treat with him.

In cutting the fees of attorneys in a bankruptcy matter from \$12,500 to \$2,000 not long ago, the Circuit Court of Appeals said: "It is lamentable that the commercial spirit of the age has invaded even the legal profession to the impairment of its dignity, the blunting of its sense of honor, that a profession instituted for the maintainance of justice has become degenerate and that its main calling now seems to be a vulgar scramble for the almighty dollar."

This tendency is becoming dangerous; it is a stench in the nostrils of decent business men, and, I regret to say, it is largely due to the fact that credit men encourage it. Let us stop. Let us no longer listen to the pretender of protection of our interest who rushes breathlessly into our office with a hurriedly prepared petition in bankruptcy for us to sign, thereby plunging into the abysmal maelstrom of financial despair a customer who very likely could be saved were it not for these skulking scavengers of the legal ambulance corps.

The high-class physician does not advertise nor does he go about with a drag net for patients, but the quack doctor and patent medicine man has his solicitors out pasting alluring posters in public places to the disgust of decent citizens.

This matter of decency and ethics as applied to lawyers is to be taken up thoroughly, I understand, at the convention of "The Commercial Law League of America," to be held in Denver next month.

If the commercial lawyers are to try to stamp out this practice, it certainly is up to every credit man to do all he can to aid in the work, and one great long step in this direction will be to turn down the collection agency, which has no standing at all in my opinion, but whose business will surely profit by the edict which is to go forth from the Commercial Law League convention. There are honest, deserving lawyers and they should receive our support.

Teach all with whom you discuss credits that the present bankruptcy law is the best we ever had on the statute books and that its true worth is in its proper and full administration.

Teach creditors to stand together in any given case for the recommendation of competent receivers, as in most of the United States judicial districts the federal judge respects the judgment and opinion of the merchant's creditors.

Teach the creditor that failing in his choice of receiver he has absolute control of the trusteeship, by voting his own claim at the election of the trustee.

My contention has always been that when a debtor falls by the wayside, the assets belong to the debtor and creditors and to no one else on earth, and pray tell me, who is more capable of realizing the best results than the creditors who are business men familiar with the character of business to be administered.

Teach the creditor to cultivate the confidence of the debtor. I am strong for the debtor, for he is just as essential to our walk of life and our association as the creditor; without him there would be no credit men or credit men's associations. I believe that 98 per cent. of the men who are successful in business are honest—honest when matters begin to go to the bad and honest up to the very minute their frail business craft actually gets into the *whirlpool rapids* of financial ruin; then is the time, on the eve of actual failure, that they commit fraud and irregularities; then it is that the first law of nature, self-preservation, possesses them and they fall because of family obligations, etc. Were we to go to them when the rot begins to eat into their business structure we could save them many times.

Let us do this. Let us reach the debtor before he reaches the stage of legal entanglement and bankruptcy, but if he must go into bankruptcy I believe in the administration of his affairs by the creditors and for the creditors.

On the other hand, there is the fraudulent failure, planned for months, oftentimes and not infrequently upon professional advice. As has been said, such cases must be prosecuted to the bitter end, as the deterrent effect of bringing to justice such rascals is salutary and far reaching.

Teach creditors the importance of standing firmly together upon an issue of this kind, as much money will be saved in the long run.

Teach the trade investigator who calls upon you from day to day, representing other houses in your line of trade, to be especially discreet and careful regarding gossip and idle rumors relative to debtors. The voicing of an unfounded suspicion by an investigator often results in the crippling or failure of a customer.

Teach customers of your house to respect contracts and confirmation of orders, as the repudiation of a contract to-day is regarded of very little importance and should affect the credit standing of a customer almost as much as slow payments or any other defect.

Teach the great importance of perfect frankness in matters of references, whether oral or written. The truth should not be spoken at all times, but if anything be said at all let it be the facts.

Teach the creditor that co-operation is the very life and strength of legitimate business dealings.

There is an element of human character without which we find no real success—it is *courage*. What constitutes courage? Strength of heart, if you please, tempered with and re-enforced by volition—will power.

What do courageous people do or how do they act? "They fight," is probably the answer which the great majority of people would give. They save the lives of others.

There is the courage of the explorer who risks his life to open up new lands to mankind, of the soldier who fights for his flag, and the hero who rescues the drowning man, or the mother and child from the flames of their burning home.

The same courage is present in the credit man, who fully realizes his true position in the business world and his duty and opportunity to preserve and develop mankind to make the only world we know and live in better.

THE DAILY THOUGHT

By thine own soul's law learn to live:
And if men thwart thee take no heed,
And if men hate thee have no care;
Sing thou thy song and do thy deed,
Hope thou thy hope and pray thy prayer.

President New—I am sure we all feel that we have had talk right from the shoulder. We now come to the report of the Committee on Credit Co-operation, of which Mr. J. W. McHose, of Fargo, North Dakota, is chairman. In his absence Mr. R. W. Higgins, of Duluth, will present the report.

Report of the Committee on Credit Co-operation

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

Your Committee on Credit Co-operation desires to register the conviction, that theirs has been a most important department of the National Association's work, whose importance must increase as the inter-dependence and co-ordination of credit departments in the handling of credit risks is better understood and appreciated by credit men.

The elimination of undue hazard and loss in the determination of credit extensions, in a very large measure depends upon fair, truthful and reciprocal interchange of credit experience, and every energy must be put forth to bring about a close, confidential reciprocal touch between credit departments. There is still much educational work to be performed before the ideal in systematic and scientific clearance of credit risks through broad and liberal interchange of credit experience is realized, and no pains must be spared in bringing directly home to credit grantors their duties in protecting and developing the thought that credit co-operation is fundamental to safe business. Many credit managers still believe that their credit experience is a private, personal asset. They have not risen to the thought that it is a trust for the general commercial welfare, which, if properly exercised, brings ample returns.

Your committee discovered that but twenty of our local associations maintained a local committee on credit co-operation. Our peculiar construction, through the correlation of the various parts to the whole association, makes it difficult for the national committee to secure the best results except through the co-operation of local committees, and this is especially true in our particular department of work.

We shall recommend by resolution that each of the local associations maintain an efficient committee on credit co-operation, and that such committee be inspired and guided in its work by the National committee and the National office.

CREDIT INTERCHANGE BUREAUS

The inauguration and development of Credit Interchange Bureaus by our local associations agreeable to resolutions adopted at previous conventions, have been a matter of constant interest and survey by your committee. It is our sincere conviction that no plan of

greater importance in the proper clearance of credit risks, if efficiently and wisely operated, has been devised than that of the interchange bureau, yet no plan calls for so much watchful care against the invasion of commercialism into the Association, and none tends more to develop a strictly local feeling, a feeling of independence locally of the national work.

Co-operative in construction, there must be no departure from this cardinal principle in the operation of these bureaus. They must



J. W. McHOSE
McHose & Pardoe, Fargo, N. D.
Chairman, Credit Co-operation Committee

never be reduced from the enduring survey and control of the National Association. Every encouragement should be furnished our local associations to establish these credit interchange bureaus upon a proper and efficient basis.

There has arisen this year in many directions a strong tendency toward interchange of information between the bureaus, but the differing plans upon which they are operated have made it difficult to establish a systematic and scientific basis of interchange. This sit-

uation developed the necessity of a conference on the part of the managers of our credit interchange bureaus, which conference was arranged for the afternoon of the day preceding the opening of the convention. It is sincerely hoped by your committee that practical and helpful plans for interchange among our bureaus may grow out of this conference, and the value of like conferences be so demonstrated that the advisability of having managers and the bureau committees come together in annual meeting shall be made clear.

TRADE INQUIRY FORMS

It was discovered during the year by your committee and the National office that many of our members were using a credit experience inquiry blank differing from the standard form of our National Association, yet bearing the imprint, "Adopted and Recommended by the National Association of Credit Men." This was such a gross misrepresentation and created such confusion and criticism that it was made the subject of a special article in the March BULLETIN under the caption, "A Matter of Honor."

This article, through the interest and co-operation of our members, revealed not only many additional cases of unwarranted invasion upon our standard inquiry form, but brought to light instances where houses not members of the National Association or one of its affiliated branches, were using forms in appearance like that of the Association and bearing our stamp, yet of course printed by themselves.

Your committee is pleased to report that wherever this situation was taken up with any of our members, either directly or through local secretaries, our position was clearly understood and the misrepresentation discovered to be due more to misunderstanding and inadvertence than to direct intent.

To safeguard our standard inquiry form from misrepresentation or unwarranted duplication, this committee suggests that it carry some distinctive mark or seal, and that the responsibility of carrying out this suggestion be reposed upon the incoming Committee on Credit Co-operation.

It might be advisable also, when the committee is considering a proper mark for the trade inquiry form, that the form as a whole be thoroughly considered, and should a revision be thought necessary in order to bring the form up to date, such revision be submitted for the approval of the Board of Directors.

RECIPROCAL INTERCHANGE

Your committee recommends that the attitude of the National Association of Credit Men upon reciprocal interchange of credit experience be reaffirmed as the only scientific and equitable basis of exchanging credit information.

Many discouragements are constantly confronting us in winning our members and credit men generally to a consistent observance of the reciprocal plan. Our standard inquiry form is in many instances not properly filled in by the party who seeks information from some other credit department; he is not careful to forward his own experience or give reasons for making the inquiry. Many explanations are offered for the failure of our credit departments consistently to observe the reciprocal plan, such as, "It is a drain upon time," "It is unnecessary," "The

idea has not been demonstrated," etc. But it is the sense of the National Association after many years of close study, as it is also the belief of your committee, that no other plan can scientifically meet the requirements of an exchange of credit experience and information, nor so adequately defend our credit departments against abuse and the taking of undue advantage of each other. It is not merely the giving of an equivalent, but a necessary step in developing the most efficient plan possible for determining upon credit risks and eliminating the undesirable and unsafe.

Your committee recommends that the education needful to develop the reciprocal plan effectively and to win our members to its observance should be persistently followed by our National Association, and that our local associations be urged to co-operate in this educational work.

CREDIT INTERCHANGE RULES

Agreeable to the resolutions adopted by the National Association of Credit Men in convention at Minneapolis, your committee met in conference in the city of St. Paul and adopted the following rules to govern the interchange of credit experience between members. The rules suggested by the preceding committee were used as a basis and the rules submitted to you represent careful thought and have been freely circulated among our membership. They are:

I

The blank adopted and recommended by the National Association of Credit Men for the making of inquiries always to be used:

II

Each inquiry shall state the amount of the order and always indicate if first order.

III

If the inquirer has had previous experience with the one inquired on, then the inquiry shall be accompanied by a statement of such experience. This encourages reciprocal interchange of experience and views.

IV

Inquiries are not to be made except on orders actually in hand or on open account. If investigation is being made with a view to soliciting business or collecting an account, a letter explicitly stating this fact should accompany the inquiry.

V

It is fundamental that all inquiries are to be treated confidentially, and under no circumstances divulged to the subject of the inquiry.

VI

All inquiries to be answered on the day received and by the credit man or manager if possible, so that the ledger experience and any additional information in his possession may be furnished.

VII

A compliance with these rules in this interchange of credit experience and information leads to accuracy, reciprocation, promptness and confidence. Their observance will mean a closer contact between the mem-

bers of this Association, and be of great assistance in their credit investigations.

Summarizing our convictions from the year's work, your committee begs to offer the following resolutions:

I

"Resolved, That each of our local associations maintain an efficient Committee on Credit Co-operation, and that such local committees be inspired and guided in their work by the National Committee on Credit Co-operation and the National office.

II

"Resolved, That the National Association of Credit Men, in convention assembled, views with continued satisfaction the inauguration and development of Credit Interchange Bureaus upon the part of local associations and earnestly recommends that the establishing of such bureaus be seriously considered by those of our local associations which have not yet inaugurated or operated one; and that every encouragement be accorded the enlargement of the bureau plan which has so far uncontestedly demonstrated its value in the safe granting of credit.

III

"Resolved, That the Credit Interchange Bureaus thus far established and operated by our local associations be encouraged to interchange with one another upon an equitable and systematic basis, and for the purpose of developing proper plans for this interchange, it is recommended that the managers of the Credit Interchange Bureaus and the local committees in charge thereof, at the call and under the direction of the National Committee on Credit Co-operation meet in annual conference, and that any rules governing the interchange of the bureaus adopted at these conferences become operative, upon receiving the approval of the Board of Directors in the interim between conventions.

IV

"Resolved, That the National Association of Credit Men, in convention assembled, reaffirms its faith in the reciprocal interchange of credit experience, and affirms the necessity of the reciprocal plan in the development of a close and confidential relationship between the credit departments, as alone insuring the most exact and scientific basis for clearing credit risks.

V

"Resolved, That the standard inquiry form adopted and recommended by the National Association of Credit Men be preserved from misrepresentation and unwarranted duplication by having placed upon it some distinctive mark, and that it also be revised if thought necessary; that the responsibility of selecting a proper and distinctive mark for the trade inquiry form and the consideration of any necessary revision be reposed in the incoming Committee on Credit Co-operation, its recommendations to become operative when approved by the Board of Directors in the interim between conventions.

VI

"Resolved, That the rules prepared and recommended and submitted in this report, to govern the interchange of credit experience between members, be and are hereby approved."

Respectfully submitted,

W. B. CROSS,
J. P. GALBRAITH,
R. W. HIGGINS,
F. J. HOPKINS,
J. W. McHOSE, *Chairman.*

Mr. Higgins moved that the report and resolutions be adopted.

Mr. M. H. Moise, Louisville—In view of the great importance of the report that has been read I move that it be made the first order of business tomorrow morning.

President New—I think it would be a mistake to leave any extra work for tomorrow, for we have but one session and our steamer tomorrow is scheduled to leave at 2:30 o'clock.

Mr. R. W. Higgins, Duluth—I think the resolutions are of such a nature that they can all be adopted under one motion, and I offer a motion to that effect.

Motion seconded.

President New—Are you ready to act on the resolutions collectively?

Mr. Max Silberberg, Cincinnati—In the third resolution, the second line, Mr. Higgins said the National Association, and it is printed in committee reports "local association." Which is correct?

President New—It is correct as printed. The word "local" is correct. Are there any objections to adopting these resolutions together, or do you wish to act on them singly?

Motion made and seconded and unanimously carried adopting Resolutions 1-6 inclusive.

President New—As you know, a call was made for a conference of the managers of Credit Interchange Bureaus. This conference was held yesterday and was immensely interesting. A sub-committee was then appointed and had a meeting last night and this morning. Mr. Higgins has been delegated to report what took place at the sub-committee meetings and to present certain resolutions there adopted for your consideration.

Mr. R. W. Higgins, Duluth—The conference submits the following report:

"From the conference of reporting bureau managers and representatives held yesterday and today, the following conclusions and recommendations covered by resolutions are offered:

"First—It is the sincere belief of this conference of interchange bureau managers that the credit interchange bureau represents a scientific system for clearing credits, and is a proper department to be operated under the local associations of credit men and the National Association of Credit Men.

"Second—It is the belief of this conference that the full efficiency and value of the credit interchange bureau plan can best be obtained by an interchange between the bureaus, and that a proper and equitable plan for interchange should be developed.

"Third—It is our further belief that interchange between the bureaus

can best be obtained and equitably conducted if the plans under which the bureaus are operated are approximately uniform.

"Fourth—Realizing the difficulty in a conference at this juncture of reaching a uniform plan satisfactory to all, it is the recommendation of this conference that a committee of five be selected by the president and secretary of the National Association and the chairman of the conference, fairly distributed geographically, to meet at a time that may be decided upon by the committee, and that the expense incident to such meeting be borne by the National Association and the interchange bureaus existing and prospective, the item of expense to be equitably arranged by the committee with the approval of the Board of Directors.

"Fifth—It should be the function of this committee to prepare and recommend a plan upon which the credit interchange bureaus may interchange information with one another, such plan to be urged for adoption and become operative among all of the credit interchange bureaus, when approved by the Board of Directors.

"Sixth—It is our recommendation that interchange of information between local bureaus be continued under present arrangements until such time as a proper and more satisfactory form can be devised and submitted."

Mr. Higgins—I offer as a motion that the conclusions and recommendations of the conference as read be accepted and adopted by this convention.

President New—There are six different items under the conference report. Do you wish to have them acted on singly or adopted as a whole? They will be appended to the report of the Credit Co-operation Committee.

Motion made, seconded and unanimously carried adopting the resolutions as read and so ordered.

President New—Next in order on the program are greetings from our Canadian friends through Mr. H. D. Eby, vice-president of the Canadian Credit Men's Association of Toronto. In his absence Mr. W. H. Lamont of Toronto will say a few words to us at this time. (Great applause.)

Mr. W. H. Lamont, Toronto—Mr. Chairman and Gentlemen: I arise with a great deal of pleasure to extend to you the greetings and good fellowship of the members of the eastern branch of the Canadian Credit Men's Association, known as the Ontario Division. It is a baby organization, brought up by Mr. Henry Detchon, of Winnipeg. We have only started since the end of last year, and now have a membership of 150 or thereabouts. (Great applause.)

We take into the membership corporations and firms, but not individual credit men. The firms are represented by their credit men or book-keepers, and our prominent feature is the interchange of ledger information. We are under one company, headquarters at Winnipeg, and are in a position by making inquiry today, within a very short time to have 80 per cent. of the liabilities of a retailer, showing what portion thereof is overdue, all of which readily shows the retailer's position.

Then we are trying to educate the retailer, trying to give him information with a view to putting him on the right track, trying to show him where he ought to get more profits or buy more conservatively or adopt certain sales methods to get rid of old stock. We are trying to conserve the retailer's assets and not wait until he is beyond control before doing anything to save him.

We are also advocating a fair insurance, considering this to be of great importance. We are trying to get the wholesale houses to adopt a uniform financial statement, as plain and concise as possible, and asking the retailer to use it, pointing out to him that it is to his advantage to do so. We have been very successful in this particular.

There is another matter that has come to us along the line of insurance. It touches the necessity of the accident policy. Many a house is run on the shoulders of one man, and it seems only reasonable if he insures his assets, that he insure the greatest thing among his assets, his brain, so that if he be laid up by accident, the loss of his time and energy shall be minimized.

I am sorry that the president of our association was unable to be here. We appreciate the invitation that you very kindly sent to us to be represented here and we have come to learn. Much food for thought was given us in the able speech that Mr. Williams made this afternoon. I only arrived this morning and did not hear the president's address; but I am sure from the way your meetings have started out that your Canadian brothers are going home with a great deal of information that will be valuable to us in developing our work. I thank you very much for your kind hearing. (Applause.)

President New—Mr. Henry Detchon, of Winnipeg, secretary of the Canadian Credit Men's Association in that city, is here and we will be glad to hear from him. (Applause.)

Mr. Detchon—Mr. President and Gentlemen: I had the honor of attending your convention last year in Minneapolis; and you were good enough to ask Mr. Pigott, then our president, to address a few words to you. Although we have no seat in your conventions, I notice that the maple leaf is floating at the back of the hall.

When I came through to Minneapolis last year, I was on my way to Ontario and the Province of Quebec, to see if we could not induce the wholesalers in the east to become affiliated with the Canadian Credit Men's Association which we had established in the west. After interviewing a large number of the wholesale houses, I retreated to the west, in some disorder, but last year at the convention of Ontario wholesalers, I went through to Toronto, and while there, we inaugurated what is now known as the Ontario Association or division of the Canadian Credit Men's Association. Since that time we have opened a branch of the Canadian Credit Men's Association further west than Winnipeg, in Calgary, to cover the province of Alberta. In addition to that, in Saskatchewan we have opened a branch at Regina to serve the province of Saskatchewan. I am now on my way to St. John's in New Brunswick, where at the invitation of a small number of wholesale houses who have an organization of twelve exchanging ledger information, I am going to attempt to affiliate the St. John's association with the Canadian Credit Men's Association to serve the maritime provinces. On my return from the east I am going through to Vancouver. There has for some time been an association at Vancouver of about thirty wholesalers, exchanging ledger information and taking up credit questions for the west. These thirty wholesalers have likewise expressed a desire to become affiliated with our association in Winnipeg.

I may say, gentlemen, that we have an advantage over you who are in business on this side of the line, in the fact that while you started your local associations one by one, and then formulated your National Association, we have started the other way. We formed our National Asso-

ciation and called it the Canadian Credit Men's Association; and now instead of having to go to work as you gentlemen have and ask the local association to interchange ledger information, we are doing that right now from the Atlantic to the Pacific, through our national organization.

We are always taking up through our local organizations a great many matters that are affecting our federal laws. We now have the bulk sales act working satisfactorily in the Province of Manitoba. That act has gone into effect in the Province of Saskatchewan; and we are assured that the bulk sales law will be put into effect at the next session of the legislature in Alberta. The association in Toronto very nearly got a bulk sales law through for the Province of Ontario. The bill went so far as the second reading, and was recommended for favorable action by the committee, but unfortunately at the third reading it was carried over until the next session. So we hope to have a bulk sales act in the Province of Ontario in a very short time.

We have formulated our associations practically upon the same basis that you have in the states. In fact, we have got very largely all of our ideas from this side of the line.

I may say with regard to our membership fee, it is uniform from ocean to ocean; it is the same in every district; so that we have no difficulties to overcome in respect to interchange of ledger information.

There are many of you here who are selling goods in our Canadian territory; and we would be very glad if any of your representatives who are not already members of our association on the Canadian side, would become members. We want to stand as one body and to take up seriously and fairly any questions affecting credit-giving throughout the Dominion of Canada.

I thank you, gentlemen, for the opportunity you have given me of saying a word to you. We should be glad to see any of you at any time in Canada. If it is convenient for you at any time to come to us, please notify our local associations, because it would give us much satisfaction to have some of you come to us and tell us of the great work you are doing to the south of us. We are rather short of local talent in the way of speakers, and will be glad indeed to welcome any of you to the north territory, if you happen to be in Canada. (Great Applause.)

President New—I feel sure this convention will disagree with the gentleman from Winnipeg that the Canadian Credit Men's Association lacks speech-makers. These gentlemen who have come to us from Canada this afternoon have demonstrated that they are speakers, and Mr. Pigott last year showed great ability in this line. We know you have the best speakers there are.

We have saved a fine morsel for the last business of the afternoon. We will listen to an address on "Credits—The Greatest National Currency," by the president of the Cincinnati association, Mr. W. H. Muench. (Great Applause.)

Credits—The Greatest National Currency

ADDRESS BY WM. H. MUENCH, CINCINNATI, OHIO

Mr. President and Gentlemen:

In a country where the estimated yearly manufactured product is in excess of \$23,000,000,000; mineral product in excess of \$2,000,000,000 and farm product in excess of \$4,700,000,000, a total of wealth

produced in one year of approximately \$30,000,000,000, or nearly ten times the entire circulation of the country, the impossibility of transacting even one year's production entirely with currency of the realm, is very apparent.

When, however, we compare the circulation of the United States, as of January 2, 1912—\$3,267,000,000—with the bank clearings for the year ending December 31, 1911—\$160,000,000,000, the inadequacy of money and the absolute necessity for credits must be immediately recognized.



WM. H. MUENCH
The Lunkenheimer Company, Cincinnati, Ohio
Director

Many times in the history of our own and other countries have financiers endeavored to ascertain the exact, or nearly exact, ratio of credits compared to currency, as a guide for circulation to facilitate banking and trading. Conclusions reached by several eminent authorities have been brought together by Professor David Kinley, of the University of Illinois and have been made the subject of a pamphlet issued as a part of the remarkable collection of the National Monetary Commission.

In England, in the year 1856, Mr. William Sater, of the banking house of Morrison, Dillon & Company, conducted an investigation, taking £1,000,000 of receipts and expenditures as a basis, and reported:

Receipts.....	Credits £891,311	Currency £108,689
Expenditures.....	Credits 966,346	Currency 33,654
	Credits 92.88%	Currency 7.12%

In 1864, Sir John Lubbock, banker of Birmingham, England, after an analysis of a total of £23,000,000 deposits in his bank reported:

Credits 94.2%	Currency 5.8%
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He then took as a basis (to prove the practice as to the method of payments in London) £17,000,000 paid in by his London customers, with the result:

Credits 95.2%	Currency 4.8%
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In 1871, the Comptroller of the Currency, at the solicitation of James A. Garfield, then congressman, afterward president, requested reports from fifty-two selected banks as to the proportion of credit paper and money in their deposits for six consecutive days.

The comptroller divided these banks into three groups—First: City banks; Second: Banks in cities the size of Toledo and Dayton, Ohio; Third, Country banks away from railroads and telegraphs. Receipts of the fifty-two selected banks for six days were \$157,000,000, of which \$19,370,000 was cash and \$137,630,000 checks, drafts, and commercial paper.

Credits 88%	Currency 12%
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The Honorable John J. Knox, while Comptroller of the Currency, in June of 1881, began a like inquiry and sent requests to the 2,106 national banks then operating, receiving replies from 1,966, covering the receipts on June 30, 1881, with this result:

	Amount	Per Cent.
Checks, Drafts and Bills.....	\$261,271,666	91.77
Clearing House Certificates	9,582,500	3.36
Paper Money	11,554,747	4.06
Gold Coin	1,864,105	.65
Silver Coin	440,998	.16
	<u>\$284,714,016</u>	<u>100.00</u>

The comptroller included clearing house certificates as credit documents, and reported:

Credits 95.13%	Currency 4.87%
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He again, in September of the same year, secured like reports from 2,132 national banks, covering receipts for September 17, 1881, with this result:

	Amount	Per Cent.
Checks, Drafts and Bills.....	\$271,036,525	91.85
Clearing House Certificates	6,592,337	2.24
Paper Money	13,026,570	4.36
Gold Coin	4,078,044	1.38
Silver Coin	500,301	.17
	<u>\$295,233,779</u>	<u>100.00</u>

Including clearing house certificates, he reported:

Credits 94.09%	Currency 5.91%
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We then have the inquiry of 1892, by Comptroller of the Currency, Hon. A. B. Hepburn. He explained the purpose of this inquiry as a desire to elucidate to the public the inability of the government to furnish sufficient money to meet the wants of the people at all times. That, as over 90 per cent. of all business transacted, was done by means of credit, any impairment of this factor by loss of confidence, etc., directly affected this large percentage of business, causing money stringency, resulting in failure and disaster. The result from his investigation, 3,473 banks reported total receipts on September 15, \$331-205,213:

Credits 90.61% Currency 9.39%

The most exhaustive research, however, was conducted by the National Monetary Commission, and, while their report cannot be given here in its entirety, the following is of interest:

In 1909, the Comptroller of the Currency sent inquiry blanks, as prepared by the commission, to about 25,000 banking institutions, receiving 11,492 usable replies, covering deposits on March 16, 1909, and, after careful analysis, the following approximate result was obtained:

Retail Payments	Credits 60%	Currency 40%
Wholesale Payments	Credits 95%	Currency 5%

A compilation by Babson, of figures collected by Professor Irving Fisher of Yale University, discloses that the estimated total expenditures for 1911, reached the tremendous total of 423 billion dollars, of which, 389 billion was done with credits and checks, 34 billion with money, or a proportion of 92 to 8.

It is clear for all then that our country's prosperity is founded on the credit system, and, when this becomes impaired, it is apparent that with a total estimated circulation of \$3,300,000,000, it would be impossible to finance a trade of 423 billions per year with money only.

These figures, gentlemen, prove that it is highly important that the work of this Association receive the support not alone of our great trade interests. They show that the safeguarding of our credits, in the same careful manner that our currency is safeguarded, is the concern of every citizen, man or woman.

As the figures submitted are the result, in every case, of investigation by the banking interests, there arises a question of the feasibility of the National Association of Credit Men undertaking an investigation along similar lines, for the purpose of determining the question of how much greater are credits in importance to the commercial transactions of our country than currency.

It is a very voluminous report that has been made by the National Monetary Commission. It has endeavored to separate the different kinds of business, to take the retail and the wholesale lines for different parts of the country, and in every manner has tried to solve the problem of the need of currency, the amount of currency necessary at all times, so that there would not be any necessity of preparing more than so much money.
(Great applause.)

Secretary Tregoe read the following telegram:

"Credit greetings to all. Good only can be born of your deliberations. God guards and guides the great cause."

"J. A. McKEE, Philadelphia."

President New then declared that the business program of the day was completed and adjournment would be taken until 9.30 o'clock A. M. of the next day.

SECOND DAY

Wednesday, June 19, 1912

MORNING SESSION

President New called to order the morning session of the second day of the convention at 10 o'clock A. M., asking the Rev. William Finnegan, of the Holy Cross Cathedral of Boston, to deliver the invocation.

At the conclusion of the opening prayer Secretary Tregoe read the following communications:

"San Francisco, June 19, 1912.

"San Francisco, the exposition city, sends greetings and good wishes to the delegates of the National Association of Credit Men in convention. We want every one of you to be with us in 1915. You will have the time of your lives and will see some show." (Applause.)

Telegram from Chattanooga.

"Accept greetings from Chattanooga Credit Men's Association—the youngest bunch of the strong old family tree. Our organization effected too late to have delegates with you this time; but our hats are in the ring and we will be in the fight with you from now on, for good results. Chattanooga will bid for the convention later. Best wishes." (Applause.)

Secretary Tregoe—When you have the opportunity come around and shake the hand of Deacon Choate, of Atlanta, for the Chattanooga convention is his baby. (Laughter and applause.)

President New—We will now listen to an address on "Commercial Arbitration," by Mr. Sereno S. Pratt, secretary Chamber of Commerce of the State of New York. We all believe that Mr. Pratt's subject is one that will engross our attention more and more with the succeeding years, and, like other things our organization has undertaken, we should lead in this work as we have in others. I know we will be pleased to hear from the representative of that organization that has inaugurated this work in the United States, and not alone carried on commercial arbitration in the last year but in long past years.

I take pleasure in introducing to you the secretary of the New York Chamber of Commerce, Mr. Sereno S. Pratt. (Great applause.)

Commercial Arbitration

ADDRESS OF SERENO S. PRATT, SECRETARY OF THE CHAMBER OF COMMERCE OF THE STATE OF NEW YORK.

Mr. President and Gentlemen:

I suppose that it is because you have appointed a Committee on Commercial Arbitration that I have been invited to talk to you on that subject, and my remarks will be rather practical than theoretical.

I will say in opening that if any of you are especially interested in this subject, I should be glad to send you, if you will address me at the New York Chamber of Commerce, such literature as we may have; and if you have any special question to ask regarding commercial arbitration I will endeavor to see that an adequate answer is sent you.

Now, the subject of commercial arbitration is not a new thing with the Chamber of Commerce of New York, as suggested by your president, for at its very first meeting, which was held, I believe, on April 30, 1768, 144 years ago, its first act was to appoint a committee of five to arbitrate differences between merchants; and for a great many years a simple method of arbitrating was carried on.

There was a number of changes made from time to time in the system, and then finally the need of something more was felt. A court of arbitration was established and this court had a regular judge, who had the full powers of a judge of the supreme court of the state of New York; for a number of years he acted as an arbitrator or judge of a business court, under the general direction of the Chamber of Commerce.

But that system was open to two objections. One was that it created under the law of the state a special court for business men; and other people who are not business men might say that it was not fair that the state of New York should organize a court for a special class in a community that was not open to another class. The second objection was that the judge of this court was a trained lawyer, and procedure gradually drifted into a trial of a case very much as it would be before a trained lawyer or a judge of a court; and though a large number of cases were settled under this system, the court gradually went into disuse, especially upon the death of Judge Fancher, who for many years was at its head.

Now, about a year ago under the leadership of Mr. Charles L. Bernheimer, a leading dry goods merchant of New York, a movement was started for the revival of this system of commercial arbitration; I am very sorry that Mr. Bernheimer is not here today in my place.

You lose and I gain by reason of the fact that Mr. Bernheimer was prevented by an important engagement from presenting this theme to you today. You lose because Mr. Bernheimer has studied his subject so thoroughly that he could have spoken with greatest authority. I gain because his absence gives to me the opportunity and pleasure of meeting you in this important convention.

Surely it is not necessary for me to enter into an elaborate appeal for the principle of arbitration in any of its possible applications. The time has passed when it seemed needful to urge the adoption of methods of peace in the settlement of disputes instead of appealing to the power of force, the arbitrament of war. The world is year by year drawing nearer to the grand ideal of The Hague arbitration as a substitute for the conflicts of arms. The great industrial countries are realizing more and more that industrial peace can only be safeguarded by resort to impartial arbitration.

The adoption of arbitration is a substitute for expensive, protracted and wearisome litigation—which is commercial war—in those disputes between business men as to the quality of goods purchased, the meaning and conditions of contracts entered into, etc.,—this is not a new thing, for the New York Chamber established such a system one hundred and forty-four years ago. It is now, however, beginning to be extensively applied in many trades and exchanges in this and other countries, and it is sure to grow in favor, until, it may be, an arbitration decision in one country in a case involving international consideration will have the force of precedent in every other country. As a matter of fact, the London Chamber of Commerce is at this time endeavoring to give this international scope to its arbitration system.

The rapid acceptance of the principles of arbitration is due to conception that war is waste and peace is conservation.

In thus welcoming arbitration and establishing it as a method of settling international, labor and mercantile disputes, let us not expect too much from it at once. The scope of arbitration is wide, but there is a limit.

International arbitration, even if extended as proposed in the recent treaties with England and France, so as to embrace even disputes involving national honor, would not prevent all war. There would be still occasions when resort would be made to arms, and while the day should be near when the nations may reduce the fearful burden of military and naval establishments, it is probably far distant when complete disarmament will be possible and when armies and navies, except as an international police, will not be necessary.

Industrial arbitration should and does reduce the number of strikes, but it will be a long time before we can hope to prevent them altogether. Nevertheless, I believe that an enlightened public opinion will eventually compel capital and labor employed in the various agencies of transportation to submit their differences to arbitration. These transportation lines are to our associated life what the veins and arteries are to our bodies, and sooner or later it will be held to be a crime for anyone engaged in transportation to resort to a strike.

In establishing arbitration for mercantile disputes, let us not be foolish enough to think that by so doing we can do away with litigation altogether.

In creating its method of arbitration the New York Chamber did not do so in any spirit of antagonism to the courts and the legal profession. On the contrary, it invited a justice of the New York Supreme Court, Vernon M. Davis, to come to the Chamber and swear in its Committee on Arbitration; and he came in his official robes, and he not only came, but he made an address in which he congratulated the Chamber upon bringing into existence again a simple and effective plan for settling business disagreements without resort to the courts. He declared that it is a habit—a bad habit—for business men to undertake long and expensive litigation over ordinary differences arising between them.

There is doubtless an over supply of lawyers in our big cities and towns, and perhaps in the competition that thus ensues, there is a certain percentage of lawyers who encourage litigation and take measures to increase the number of lawsuits and the occasions of law's delays. But the great bulk of the legal profession have a higher standard than that; and from the letters which the New York Chamber has received it is confident that most lawyers believe that the best service they can perform for their clients is to avoid litigation, and they welcome arbitration as a means to that end. There should be a spirit of confidence and co-operation maintained, if possible, between arbitration committees and the legal profession if the best results are to be achieved.

There is a distinct limit to the capacity of arbitration systems such as the New York Chamber has instituted. That limit is succinctly stated by Supreme Court Justice Hotchkiss in a letter to the Chamber. "The idea," he said, "is an excellent one and ought to be of great practical advantage to merchants having differences depending largely on questions of fact rather than questions of law."

That fixes the legitimate territory of commercial arbitration. Disputes involving intricate questions of law must still go to the courts. Dis-

putes involving questions of fact, such as trade customs and practices, quality of goods delivered, meaning of trade terms and the like,—these are the proper subject of arbitration and it is absurd to send such disputes to juries composed of men who, however honest, may be utterly ignorant of business customs, and may not know the difference between a bill of lading and a billet-doux.

Commercial arbitration cannot be compulsory, of course, except in trading associations such as exchanges. For the good of the service there, it might be desirable that if the parties in controversy will not arbitrate or agree to some other form of just settlement, they should be liable to discipline under general rules for taking a position "contrary to just and equitable principles of trade." Rather than be disciplined, most members of exchanges will arbitrate. This form of "compulsion" is, however, not often necessary.

But in associations like yours and mine, a procedure like this is not desirable, even if it were possible. We desire to utilize the force of a healthy, commercial, public opinion that will make it more and more difficult for any man to resort to litigation in any controversy that is properly subject to arbitration.

An arbitration is a gentlemen's procedure. Two men having an honest difference of opinion in regard to a matter of business between them agree to leave the decision to a third party and abide by the result, and the law of the state of New York provides that when such a dispute is properly submitted, and the arbitration properly conducted, the decision can be filed with the court mentioned in the submission, and then it becomes the same as a decree of the court. The decision thus becomes enforceable. The submission, however, must be a voluntary act. The fact that it is voluntary makes the action all the more impressive and valuable.

After the submission has been made, however, neither party should be permitted to withdraw. Then action becomes obligatory. It is true that under court decisions, either party can withdraw at any moment up to the time that the formal hearing is closed, but in the method of arbitration established by the New York Chamber the disputants sign an agreement that they will waive their right to withdraw after such submission and after the arbitrator or arbitrators have accepted their appointment. This waiver may possibly have no standing should this feature be legally disputed, but business men who voluntarily submit their controversies to arbitration and sign a waiver of the right of revocation are not likely to withdraw, for to do so would be a blight upon their business reputation; and one of the members of the Chamber's committee who has been on the Board of Arbitration of the New York Produce Exchange for twenty years, Mr. Frank A. Ferris, can remember in all that time but one case in which the disputant has withdrawn after the controversy had been submitted, nor in all that time has a single award been contested.

I have spoken of "honest differences" between business men. Now there are multitudes of such disputes. No two men look at things from exactly the same angle. They do not see just alike. Most of the differences are small and are easily adjusted. Some are settled after discussion and negotiation. Many others are compromised. Some must be arbitrated. Others must go to a court of law. It is probable, however, that only honest differences of a somewhat difficult or serious nature, involving no intricate points of law, will actually go to arbitration. The

man who either consciously or sub-consciously knows that he is wrong will, in ninety-nine cases out of a hundred, not arbitrate. He will prefer to go to law, depending upon the expertness of a clever attorney, or the unknown quantity represented by the jury, to pull him through.

It should be the object of a Committee on Arbitration to get as many cases settled peacefully as possible, even without the resort to the formal hearing. The new system of the New York Chamber, succeeding two older methods long ago discarded as not adapted to modern conditions, has been in operation only a year, and whereas most of that time has been taken up in getting the system in working order, and in getting business men acquainted with it, yet the system has already justified its existence by the fact that it has been instrumental in inducing many disputants to settle their differences themselves—differences which would otherwise have probably gone to litigation. The committee ought, in fact, to be called "The Committee on Arbitration and Conciliation," for, after all, its greatest service promises to be in the line of conciliation rather than actual formal arbitration of differences. In most cases it works this way:

A has a controversy with B, a dispute, let us say, about an order of dry goods. They have a good deal of correspondence about the matter, and finally A, who has sold the goods, hints at litigation. B then has his attention called to the Chamber's system of arbitration, consults with the chairman of the Arbitration Committee, who takes pains to explain to both parties the method provided and the advantages of arbitrating such a difference over litigation. Both agree to arbitration and the submission papers are in the process of being drawn up, and the arbitrator actually selected, when the two contestants find that the points of difference are not so great as imagined, and they settle their dispute themselves. The fact that a disinterested party, in whom both have confidence, was ready to act if need be, took the heat out of the controversy. Such a case as this between two of the biggest merchants of New York actually occurred this year, and there have been many other experiences. It will be observed that the Committee of Arbitration served really as a Committee of Conciliation, but it effected a settlement quite as much as if the controversy had gone to the arbitrator. The chief point to be noted is that if there had been no Committee on Arbitration, this dispute would in all probability have gone into the courts, with long and expensive litigation.

When a great institution like the Chamber stands ready, with convenient and effective machinery of arbitration, this serves to bring disputants to a realization of the folly of fighting each other and they come to an agreement. Thus arbitration is not only a cure, but it is also the preventative which is far better than cure. The efficiency of a policeman is not fixed by the number of arrests he makes, but by the number of misdemeanors his mere presence prevents. The establishment of a system of arbitration stops a vast amount of needless litigation by the mere fact of its existence, even though few cases actually come to trial.

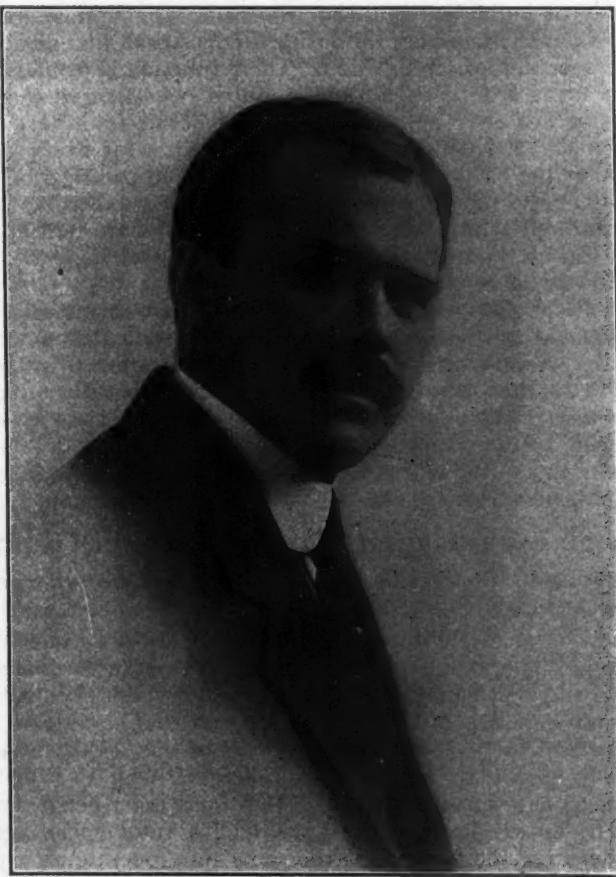
In creating such a system several things are essential:

1. The organization creating it must command the respect of the community.
2. The men composing the Committee of Arbitration must be picked men, of judicial yet practical minds, and of large business experience.
3. The arbitrators must be fair, clear and well instructed, and pa-

tient to listen to and weigh testimony, and should be selected by the disputants for their specific trade knowledge of the issues involved.

4. The cost must be restricted. An international case recently decided by the Chamber of Commerce—a case that would have been difficult for a court of law to have handled—was quickly decided at a total expense of less than \$60.

5. The arbitrators, however, should be paid the equivalent of a referee's fee, which is \$10 in my state. While this is no adequate pay-



J. H. SCALES
Belknap Hardware & Mfg. Co., Louisville, Ky.
Director

ment for the services they perform, it serves to preserve the self-respect of all parties concerned, and to prevent a flood of comparatively unimportant cases.

6. Arbitration should not only be short and cheap and fair, but if desired by the disputants, it should also be private. In a court of law all things are public. One of the advantages of arbitration is that it enables a case to be tried with closed doors. Most men do not like to have their

differences aired in the newspapers. Arbitration is essentially a bulwark of commercial credit.

I have said that arbitration should not be made compulsory, but I firmly believe in the creation of a public opinion that will make it difficult for any person or nation to refuse arbitration in any arbitrable controversy. A merchant who will refuse to arbitrate his difference with his brother business man ought to feel the weight of unfavorable opinion of his trade, and, indeed, of the entire business community. He should be made to understand that he should have a complete explanation to justify his refusal.

No body or individual can do more in the direction of forming and compelling a healthy condition in business ethics than the members of the National Association of Credit Men. Their function is primarily to safeguard their firms from loss through failures. A client that has a protracted suit at law may be solvent, but his liquid funds are shortened because of that. It should be the routine question of every credit man to ask whether the party seeking credit is engaged in litigation; if so, to find out why he did not try a more speedy and less expensive method of settlement through arbitration. The millions of dollars tied up in litigation would become liquid, and, furthermore, the bad habit of "bluffing" with litigation could be checked.

Permit me to go one step further, and say that an international public opinion should be cultivated, an opinion so strong that whenever any nation refuses, without just cause, to accept arbitration to decide a controversy with another country and prefers to appeal to war than to The Hague tribunal, it should stand condemned and stand alone before the civilized world. (Great applause.)

President New—We will now listen to the report of the Investigation and Prosecution Committee, Mr. W. M. Pattison, chairman.

Report of Investigation and Prosecution Committee

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

The question of establishing a National Prosecution Fund is one that has engaged our thoughtful attention for the past ten or twelve years.

Many of you recall that some few years ago voluntary contributions to such a fund were accepted from our members. The amount realized, however, was inadequate for the requirements of this Association, making it impossible to operate on a broad comprehensive plan.

In order to best serve its purpose, this fund must be of ample proportions. The knowledge that we have such a fund will exert a most wholesome deterrent effect, and at the same time operate as a powerful force in the punishment of fraud, when placed at the disposal of the National office.

This committee is pleased to report that a large percentage of the local associations have funds available for prosecution purposes. In some associations, a certain percentage of the annual dues is set aside for this work, in others, the fund is secured through cash subscriptions, but in a majority of cases, the amount is raised through a guaranteed fund available as may be required. As far back as 1898, the Denver association originated this latter plan, and the successful nature of its work in fraudulent matters, encouraged other associations to adopt a similar policy.

It is most encouraging to note that the continued consideration of this work at our conventions, coupled with the active efforts of our former

Investigation and Prosecution Committees, has had the effect of stimulating local interest, and during the past year this movement has grown rapidly. At the present time some six or seven associations are either planning or are actively engaged in the work of raising prosecution funds. It is quite evident that this increased interest is largely due to the successful work of the associations having funds available for this purpose.

This feature of association work should be encouraged in all local organizations. Each should have its Investigation and Prosecution Committee with available funds, but in the event of a national fund being secured this committee feels that as far as possible it should only be used to supplement the work of the local associations.

We doubt if many of the members realize what the individual associations have already accomplished, entirely through local effort. During May, a letter was sent to each association, asking for a report as to what had been accomplished during the past two years. The attached tabulation of the sixty-nine replies received, shows that over forty per cent of the local associations have funds applicable for this purpose. These aggregate \$155,000 either in cash or pledges. During this period, over eighteen thousand dollars were expended in this work, seventy-nine cases were conducted, twenty-seven convictions were secured, and twenty-four cases are still pending. Merchandise valued at thousands of dollars has also been recovered. This tabulation does not include some five or six associations which failed to report, else it might prove even more satisfactory.

At the Minneapolis convention a resolution was adopted calling for the creation of a National Prosecution Fund through voluntary subscriptions, and subject to the approval of the board of the National Association. At the annual meeting of that board held in New York City during September, 1911, a resolution was adopted instructing the committee to proceed with this work of soliciting funds from the entire membership.

This committee early realized that were they to solicit the affiliated members direct, without the concurrence of the local associations, it would create confusion and complaint, especially so in view of the fact that many of the local associations were actively soliciting subscriptions to their own local funds, or contemplating doing so in the immediate future. The committee therefore thought it desirable to secure an expression from each of the local associations as to the manner in which they preferred this solicitation to be made. With this in view, a letter was mailed to the president of each local association, reading as follows:

Cleveland, O., Jan. 17, 1912.

"MY DEAR MR. PRESIDENT:

"The National Association of Credit Men in convention at Minneapolis adopted a resolution proposed and recommended by the Investigation and Prosecution Committee, that a fund for the prosecution of fraud be raised by voluntary contribution, and conducted by the National Association subject to the action of the board.

"At a meeting of the board of the National Association held in New York during September last, this resolution was confirmed and the Investigation and Prosecution Committee authorized to proceed at once with the collection of such a fund. This action expressing the sentiment of a very large portion of the membership, commits the National Association, through this committee, to the raising of a fund sufficiently large to exert the proper moral influence and ef-

fectively carry on the work in prospect, and the committee has perfected plans for soliciting contributions to this prosecution fund from the entire membership of the organization—individual members of the national body and members of local associations.

"A preliminary survey developed, however, the existence of the following situations among the local associations:

1st: Some associations having local prosecution funds are desirous of contributing to this fund direct as associations.

2d: Some associations are planning to raise a local prosecution fund, and desire the National Association to refrain from soliciting contributions to the national fund from their members. They desire to solicit their members locally and raise a fund sufficient for local purposes and a contribution to the national fund.

3d: Some associations have a guarantee fund from which a certain percentage can be called for each year. Among these associations some believe it is desirable to have the local association include in its collections for local purposes a contribution to the national fund. In others, as the local guarantee fund is to be used solely for local purposes, no objection is made to a direct solicitation to their members for contributions to the national fund.

"It is the strong desire of this committee to refrain from any conflict with local prosecution work or plans, for the directors of the National Association as well as this committee, believe that any arrangement for the national work should not supersede local prosecution work. It is their further belief that the plans for administering the national fund can only be successfully carried out when the local associations are prepared to do their share of the work by having local funds for prosecution purposes and a local committee engaged in the work. They urgently recommend that every local association establish a local fund and appoint a local committee.

"Not wishing, therefore, to usurp or supersede local committees or local prosecuting funds, before proceeding to solicit contributions to the national fund, it was thought advisable to ascertain from each local association:

(a) If they desire a direct solicitation from the members of their association for contributions to the national fund.

(b) Or prefer to pay a certain amount to be decided upon later direct to this fund, either from their treasury or their local prosecution fund.

"We will ask, Mr. President, as soon as possible after receiving this communication (copy of which is being sent to the president of each local association), that you convene your board of directors or proper committee, agreeable to your usual procedure, and determine which of the two plans you prefer this committee to pursue in its solicitation of your association for contributions to the National Prosecution Fund.

"As we are somewhat delayed in preparing our plans, the committee will appreciate your dispatch in the matter and advice within

ten days. We are assured you appreciate in the fullest way the real importance of this work, and the necessity of the heartiest co-operation in making it effective by securing a fund of very ample proportions. An envelope addressed to the chairman of the committee is enclosed for your reply.

"Thanking you most heartily, we are,

"Respectfully yours,

J. B. PEARCE,

F. H. RANDEL,

T. P. ROBBINS,

KENNETH R. TAYLOR,

W. M. PATTISON, Chairman Investigation
and Prosecution Committee."

Replies to this letter in many cases indicated clearly a strong opposition on the part of many associations to any effort to raise this fund through personal subscriptions. Many local associations, having their own prosecution funds, were most pronounced in their opposition. Many others made no reply to repeated requests for an expression. A summary of these replies is given herewith.

The following associations objected to a personal solicitation of their members:

Baltimore	Denver	Omaha
Boise	Des Moines	Philadelphia
Boston	Grand Rapids	Pittsburgh
Bristol	Jacksonville	Portland
Chicago	Milwaukee	St Louis
Davenport	New Orleans	Scranton.

These in the aggregate have a membership of 5,747.

The following associations agreed to make contributions from their own prosecution funds:

Cincinnati	New York	Salt Lake City
Knoxville	Rochester	Toledo
	Wichita.	

These in the aggregate have a membership of 2,144.

The following associations expressed a willingness to have their membership solicited direct:

Birmingham	Lexington	Oklahoma
Buffalo	Minneapolis	Pueblo
Cleveland	Nashville	San Diego
Duluth	Newark	Seattle
Indianapolis	Norfolk	Youngstown.

These in the aggregate have a membership of 2,624.

The following associations asked for further information which was furnished, but made no reply to succeeding letters:

Atlanta	Detroit	Memphis
Cedar Rapids	Kansas City	Syracuse
Charleston, W. Va.	Lynchburg	Tacoma
Charlotte, N. C.		

These in the aggregate have a membership of 1,414.

The Utica association expressed great interest in the fund but expressed the wish to await further information.

Replies were received from but fifty-one of the local associations with an aggregate membership of 11,929, and of this number only fifteen associations with a membership of 2,624 were favorable to direct solicitation.

In view of the unanimous adoption of the Minneapolis resolution in that it apparently had the approval of every delegate, and there was no opposition on the floor, the attitude of the local associations developed through this inquiry is a distinct disappointment to this committee, but one that could not be ignored.

With the result of this investigation to guide us, this committee feels that any attempt to create a fund at this time by individual subscriptions would prove unpopular. Many of the associations in the larger cities where we naturally expected our work to be most successful have indicated very positively their desire that we refrain from soliciting their membership.

In the opinion of this committee, a prosecution fund is essential to the carrying forward of a national policy for the punishment of commercial fraud as a better protection for one's credits, and when used in conjunction with local funds, would exercise a most wholesome preventive influence.

It is encouraging to find that the interest in the general matter of prosecution work has been so intense during the past two years that many local associations in their eagerness have anticipated the national work, either by creating local funds or by strengthening and enlarging existing funds. Such associations are to be commended for having responded to the awakening spirit carried back to them by the delegates to recent conventions. Twenty-nine associations now have prosecution funds available.

In the opinion of this committee the numerous local funds now in existence form the real and broadest foundations on which a national fund can be built in the future.

It is the opinion of this committee that a national fund should be created and that the Association should continue unabated its efforts to provide such a fund as a part of the national work. The replies received indicate that such a fund cannot be secured by personal subscriptions, nor are they of a nature that would indicate that the local associations would at this time pledge a sufficient amount payable annually adequate for this purpose. The membership generally is opposed to any increase in the per capita dues to the National office to provide for such a fund, and this committee regrets to advise that in its judgment, the plan proposed at the last convention for the establishment of this fund does not appear to be feasible at this time.

A large majority of our members believe that the investigation and prosecution of fraud should be a part of our national work, but we have experienced difficulty in determining a method that would be acceptable. The direct yearly assessment plan which has been proposed at several previous conventions has not met with favor. This committee feels that each member should contribute either directly or indirectly to such a fund in order to make it permanently successful.

We herewith suggest such a plan: With a circulation of 16,000 copies monthly, our National BULLETIN presents an exceedingly valuable medium for advertising matter of special interest to credit men. It is

our suggestion that we take advantage of this opportunity, and sell a limited amount of space, care being exercised properly to restrict it. We believe that this, in connection with additional sums taken from our regular income, will provide a fund of adequate proportions to conduct our prosecution work on broad lines. The committee believes that this plan should have due consideration, and we therefore offer the following resolutions:

I

"WHEREAS, Investigation shows that there are now some thirty local associations engaged in prosecution work, and experience has disclosed



W. M. PATTISON

W. M. Pattison Supply Co., Cleveland, Ohio
Chairman, Investigation and Prosecution Committee

the fact that this work has been seriously hindered at times through the inability of the National Association to co-operate, owing to the lack of a fund available for this purpose, now, therefore, be it

"Resolved, That in order to provide for such a fund the board of directors be authorized to sell such limited advertising space in the BUL-

LETIN as will provide an adequate income for the conduct of National Prosecution Work, and further that it instruct the incoming Investigation and Prosecution Committee to formulate such rules and regulations as may be necessary for the proper expenditure of this fund.

II

"WHEREAS, The work of various local associations in the investigation and prosecution of fraud has been most effective and has tended greatly to discourage commercial crime in the various communities where this work has been carried on, therefore be it

"Resolved, That all local associations having no established prosecution committees or bureaus, be encouraged to engage in this work."

Respectfully submitted,

J. B. PEARCE,
F. H. RANDEL,
T. B. ROBBINS,
KENNETH R. TAYLOR,
W. M. PATTISON, *Chairman.*

Mr. Pattison—I move the adoption of the report as read. Motion seconded.

President New—The question of the adoption of the report is before you. I presume the convention will wish to discuss the resolutions.

Mr. A. H. Dobson, Utica—The report presents a list of associations asked for certain information among them being associations which made no reply. Utica is in that class. I would like to inquire what letters Utica failed to reply to.

Mr. Pattison—I am not quite certain, for the correspondence is not all here. It may be possible that some letters failed to reach us; but all the correspondence we had bearing on this subject is on file at the National office.

Mr. Dobson—I have a grist of correspondence which I got from home yesterday by wiring for it.

President New—if any mistake was made it will be corrected in the final proceedings.

Mr. Dobson—I dislike thoroughly having it go into the report that Utica failed to answer any proper correspondence.

President New—We shall be glad to correct any errors.

Resolution No. 2 under the report was then read, and motion made, seconded and unanimously carried adopting the resolution.

President New—The secretary will read the first resolution.

Secretary Tregoe then read resolution No. 1 as presented in the committee report.

Mr. S. G. Rosson, Baltimore—Is there a motion before the house?

President New—No, the first resolution offered by this committee is before us for discussion.

Mr. Rosson—Unless I am greatly mistaken the resolution before us brings up a question that has been frequently discussed in our conventions at considerable length, that of accepting advertisements for our monthly publication. I think this is a matter we should consider most seriously. Let us first consider that the most reputable, well established institutions that could be interested in advertising in this Bulletin, do not need adver-

tising, and those which do need advertising should bear very careful questioning as to the propriety of the National Association of Credit Men allowing their names to appear in our Bulletin. We receive every month warnings to look out for this or that fraud; and I am very much inclined to fear that if we permit this proposition to creep into our work, it will result in the Association being used to advertise institutions which it will harm us to advertise. I think that the National Association ought to provide sufficient funds to take care of and publish its Bulletin for distribution among credit men, and for whatever it may be worth to them, but that it should not be used as a means of advertising.

I move that Resolution No. 1, as offered by the committee, be tabled.

Mr. William H. Muench, Cincinnati—I would like a suggestion as to how the money needed for prosecution work can be raised. How is money to be raised for this purpose otherwise than as proposed by the resolution?

Mr. Howard Marshall, New York—The question of national prosecution has been before this convention for many years. There is no subject concerning which we have had more discussion; there is no subject to which we have given so much consideration with a view to formulating a definite plan. For many years we have struggled in the Board of Directors, on this floor and in committee to formulate some definite constructive plan whereby national prosecution work might be forwarded, that we might accomplish some progressive work. We have had all kinds of schemes proposed, some of them good and some poor. We have not yet been able to formulate a plan for raising a proper fund that would be absolutely workable. We all believe that we should have a national prosecution fund, but we all tremble when it comes to supplying the money to create that fund (Great applause). And the reason that we have not been able to formulate an effective plan is that we have not the available funds, and we cannot seem to get them. Now, this Association has a very valuable asset, this Bulletin that is circulated every month. It is quite true that the subject of accepting advertisements in the Bulletin has been before us in the past, but we are in a progressive age now, and we ought to think about this thing very carefully. We have either got to stop talking about a national prosecution fund right now or else be willing to supply the money to carry out a method by which prosecution can be actually conducted.

Now, then, we have this Bulletin. It is circulated widely. I am not prepared to say that I could determine just exactly what advertisements might properly be inserted in that Bulletin; but I have great confidence in our Board of Directors. (Applause.) I believe that this Association will be entirely safe in putting this matter in the hands of the Board of Directors for determination.

Now, the committee's resolution provides or suggests that the Board of Directors shall supervise this advertising, as I read the resolution, and that it shall instruct the incoming committee to devise ways and means of spending the money. I heartily favor the adoption of this resolution, and I believe the Board of Directors will be able to devise an arrangement from which no ill effects will come.

Mr. Rosson—I rise to a point of order. My motion is not debatable.
President New—I did not recognize a second. (Applause.)

Mr. Marshall—We have had this prosecution matter before this convention for years. Now either abandon it or else let us go ahead and determine upon some definite means by which we can proceed successfully.

Mr. Rosson—I ask for a rule on my point of order.

President New—I recognized no second. Someone, I believe, rose to second Mr. Rosson's motion, but that was after the chair recognized Mr. Marshall. I will stand corrected if the convention desires to have the debate closed.

Mr. F. H. Randel, Cleveland—I will ask the unanimous consent of the convention to say a word on the motion.

Mr. Howard Marshall—I yield to Mr. Randel. I trust the convention may pass the resolution formulated by the committee.

Mr. George E. Melius, Bridgeport—I rise to a point of order that a motion to table cannot be met with debate, being a subsidiary question, which cuts off all debate. The gentleman from Baltimore made some remarks on the resolution and wound them up by a motion to table, which was duly seconded. His motion is not debatable.

Mr. F. H. McAdow, Chicago—I call for a vote on the question to lay on the table. That will test the matter.

Motion seconded.

Motion to table lost.

Mr. F. H. Randel, Cleveland—I want to thank you as a member of the Investigating and Prosecution Committee for that vote. You, Mr. President, have appointed this committee for the year. They have worked for you and figured the problem out as best they could. They have given it time and attention and paid funds out of their own pockets. Now, we have assumed the initiative to appear before you with these resolutions. To give the members of that committee no opportunity to take the floor to defend the same is, to my mind, scarcely courteous.

Mr. G. L. Levi, Philadelphia—The Philadelphia association appreciates to the fullest extent the labors of the committee whose report we have just heard, as they do those of all committees; at the same time, we believe that it is beneath the dignity of the National Association to commercialize their official organ. (Applause.) We are therefore first, last and all the time opposed to this resolution.

Mr. R. S. White, Chicago—We believe in Chicago that the first consideration in this matter, of course, is to preserve the integrity of our Bulletin. We do not want anything done that will in any sense detract from its value. On the other hand, we believe that properly censored advertising will not detract from its value, but will, if anything, add to its value. (Applause.) The question of commercializing the Bulletin or our National office seems to me to be one rather far-fetched, in considering this question. We all believe that we should have a national prosecution fund. It has seemingly been demonstrated that it is not practicable to raise any such fund by the ordinary methods. Our Association is too scattered; there are too many conflicting interests in the local associations; there will always be reasons why a large number of them, if not a majority, will be in no position to permit of a direct solicitation for funds, handled by a committee of the National Association. On the other hand, the question of their own local membership and its continuance may hinge on their undertaking to raise the per capita dues.

Taking all of these things into consideration, it seems to me and to such of the members of our association as have considered this matter, that a very feasible and practical plan has been offered by the committee which has just placed its report before us, one that we are perfectly well justified in leaving to the discretion of our Board of Directors to determine as to the proper class or classes of advertising that may be admitted.

There is no doubt that there will be much objectionable advertising offered, but the ordinary, the commonest, yellow daily newspaper censors its advertising. We surely have both the right and the facilities to do likewise. Consequently the Chicago association is very heartily in favor of the plan proposed by the committee. We are inclined as a delegation to second very heartily the adoption of the resolution.

Mr. J. L. McWhorter, Nashville—I wish, in the first place, to answer my friend who moved to table the committee's resolution (Mr. Rosson). He bases his argument mainly on the fact that those who have desirable things to advertise will not apply, and the undesirable will. I never knew before that the character of a house could be determined by the question whether or not it desires to advertise its business. (Applause.)

Again, I would remind some of the men here who are members of the church that there is not a church paper in America, so far as my observation extends, that does not receive and carry regular advertisements. (Applause.) I had not thought any the less of my church people or the magazines I read, or of Collier's, or of anything else that comes into my hands, because it happens to carry an advertisement. I like to read them, and I believe you will make the Bulletin more valuable by the insertion of suitable advertisements. (Applause.)

Mr. W. C. Kennedy, Los Angeles—The points brought out here indicate a feeling of timidity. We have tried to get some results on this prosecution fund matter for a long time, but have not been successful. Other people advertise and we can. It boils itself down as to whether we are scared or not scared. (Applause.)

Mr. J. T. Young, Pocatello, Idaho, (with Utah delegation)—There will be many legitimate concerns that will want to advertise in the BULLETIN, and the Utah delegation is in favor of the adoption of the committee's resolution. (Applause.) The committee has done excellent work in this matter and its recommendations should be carried by this convention.

Mr. W. B. Fish, Cleveland—The question of a prosecution fund is not agitating this convention; we are all a unit on the point that prosecution carried on continuously is an important part of our work and should be pushed vigorously. It is a question of ways and means. Advertising has been suggested as one of the feasible, practicable and profitable means of accomplishing results, but it has also been suggested that advertising would lower the dignity of this Association as a body.

Now, I submit that to cast aspersions upon advertising is to cast aspersions upon the entire scheme of our progressive business structure. (Applause.) Advertising enters into "every relation in life, from the cradle to the grave. When your baby "hollers" for food it advertises for food; when your wife holds a reception she advertises your opulence, and it is no discredit to you to find a line of automobiles and carriages advertising that opulence, in front of your house—it is all pure advertising. (Laughter and applause.) No concern, be it ever so reputable, can do without advertising today. You cannot keep your story to yourself and have it known and heard. You must tell it logically, convincingly and loudly. We find the most reputable, substantial, representative concerns today confronting us from the pages of every publication. Be it the church paper or the secular press, wherever you turn you find most of the reputable concerns appealing to you for your patronage.

Would they not welcome a medium such as the BULLETIN, going to a select list of 16,000 names, which does not comprise the stenographers

or the office boys, a publication not having a premium offering list, but a paid-in-advance subscription of office managers, executives, business heads, who control the purchasing power, ability and business of the nation, to whom an appeal is a direct appeal, a bid for business? Would not advertisers speedily avail themselves of the limited space this BULLETIN may offer, and give us the revenue we require for our legitimate work? Think of that before you vote.

Voice—Question! Question!

Mr. H. Uehlinger, New York—This proposition of taking advertisements of business houses will not work, for the reason that a firm may advertise which we may have to prosecute (Cries of "O!"); and is it not a fact that when you have a contract with a concern which you may prosecute, that that is a question of interest in this connection. (Voices: "No, no.")

I believe that you lower the dignity of the BULLETIN and the Credit Men's Association in general, the minute you commercialize it. You take a chance of accepting money from people whom you are to prosecute. You may say you are going to be very careful (Laughter)—you are going to be very careful; that you are only going to take such people as are well-rated. We have all run into well-rated people who have failed. I oppose this resolution for the reason that you cannot draw the line finely enough, because you lower the dignity of the BULLETIN. There is another way open to raise the prosecution fund. I heard in your treasurer's report read yesterday that we have a thousand dollars more than we had last year. Why not make an annual appropriation from this regular fund toward a prosecution fund, and let it grow year by year.

Mr. Frederick J. Smith, Buffalo—in view of the fact that we have struggled unsuccessfully for some years to establish a prosecution fund, and, furthermore, it has been proven and demonstrated to us that all publications have made their success from advertising, I think that this resolution ought to be passed. We all have confidence in our Board of Directors, that they will be conservative in allotting space in the BULLETIN. I move that debate be closed.

Seconded.

Mr. Harry L. Eisen, Milwaukee—This matter should be thoroughly gone into and debate ought not to be cut off summarily in this manner.

Motion to close debate carried.

President New—The question is on the adoption of Resolution No. 1, as offered by the committee.

Motion to adopt Resolution No. 1 seconded and carried.

President New—We will now have the pleasure of hearing an address on "The Need of Scientific Study of Modern Retailing," which I know will interest all deeply. I take great pleasure in introducing Prof. Edwin F. Gay, Dean of the School of Business Administration, Harvard University.

The Need of Scientific Study of Modern Retailing

ADDRESS OF PROF. EDWIN F. GAY, DEAN OF SCHOOL OF BUSINESS ADMINISTRATION, HARVARD UNIVERSITY.

The business policies of the past have been based on experience, properly enough, but on experience too frequently narrow and of the nature of tradition. There are few known rules of business, and such as

exist often prove too general to be applicable to the concrete problem which the business man is facing. For example, take the old saying about the advantage of buying in quantity. It is now realized that there is far more to purchasing than mere price and quantity. Many other factors enter into it—problems of stock-keeping, capital turn-over, fluctuations or variations of market for finished product, and price-maintenance. Buying cheaply when buying in quantity is a comparatively simple operation, but buying right, buying with every factor in the problem properly balanced, buying scientifically, is a much more complicated problem. This illustrates the point that what is needed is not departure from business experience but the study of that experience in a broader, more impersonal, and yet more intensive fashion, the searching out of related causes and effects, the identification of variants, and finally the accessibility and diffusion of the knowledge thus gained.

While the foregoing applies to business as a whole, it applies with special force to that part of business known as distribution. Production was the first great problem to which the "Industrial Revolution" addressed itself and it has constantly called for the best energies of managers, entrepreneurs and engineers. The emergence today of scientific management represents a still more intensive study of production which, if generally applied, would mean almost a second industrial revolution. By no means have all the problems in production been solved, but relatively it is much further advanced than distribution.

Though comparatively neglected in the past, attention today is increasingly directed toward distribution. The student of modern marketing methods soon discovers that we are in the midst of a period of rapid transformation. He hears that the middleman is being eliminated, that distribution is in chaos. As descriptive of the whole field, such expressions are doubtless exaggerated, but the fact remains that what may be called the orthodox system of distribution, through selling-agent, wholesaler, and retailer, is breaking down, in some lines more rapidly than in others, but everywhere readjustments are in process.

Selling has evolved from stages when exchange was made in bulk, an age of barter when commodity was exchanged for commodity, to the stage where goods are sold by sample, and now they are being increasingly sold by description, through middlemen, salesmen, and advertising. Formerly, the seller usually performed all the functions of distribution, assumed the risks, transported the goods, financed the transaction, assembled, and assorted his goods and sold them. Now several of those functions have been taken over or are being taken over by specialized agencies, such as insurance companies, transportation companies, and banks, with the agency advertising performing part of the selling function. The only function still wholly left to the middleman is that of assorting, assembling, and reshipping goods. One of the chief questions, therefore, in the problem of modern distribution is this: does the middleman, including the retailer, today perform merely a function of purely mechanical distribution, or does he give service as well and does this apply to all or only certain goods? If a service is rendered, is it done with the maximum of efficiency and the minimum of maladjustment and social waste?

A careful investigation of the facts is called for, not only because of the social interests involved, but because business men themselves are vitally concerned to know more fully the situation confronting them. This vital concern of business men has been recognized at the Harvard Graduate School of Business Administration. It speedily became apparent

that research both in modern methods of production and especially of distribution was absolutely necessary if the principles of business were to be discovered and adequately taught. The Bureau of Business Research, as auxiliary to the Harvard Business School, has therefore been organized to investigate the problems of business. There are laboratories for the natural sciences both pure and applied; there are agricultural experimental stations for the farmer; why not a laboratory for business?

The primary object of this research is the development of instruction in the school. But it should also give to the business man a partial basis for judgment in meeting his particular problems. To this end the data gathered will be disseminated among business men by bulletins showing by groups the results obtained, the returns of individual concerns always being treated as confidential.

The Bureau is in a position to ask and deserve the coöperation of business men because of its impersonal and confidential position. A professional school of a great university would seem the logical agency to undertake such broad, painstaking research into business phenomena. The expense involved, the time consumed, as well as the competitive conditions, render it usually impracticable for a single business house to collect the facts about even its own industry.

For the reasons already stated, distribution was accordingly selected for investigation and a start has been made with the study of the retailing of shoes. This line was selected chiefly because its distribution presents a relatively simple problem as compared with other commodities, yet involves varied channels and methods of distribution.

It was soon found that despite the interest and desire of many dealers to coöperate it was impossible to obtain the most significant facts, those bearing on the cost of distribution, because of variations in book-keeping. For example, some estimated profits on cost and some on the selling price; some included depreciation and some did not; some charged rent for buildings which they owned and some did not. It was essential, therefore, to devise and introduce a uniform system of accounts.

This system, the combined product of accountants, practical shoe men, and members of the school's teaching staff, is now available, and already, though its introduction is very recent, some 1,500 shoe retailers have been approached to date by field agents or by mail and some 500 are now corresponding with us, many of whom have already adopted the system. I may add that the Joint Conference Committee of the National Association of Shoe Retailers and of the National Boot and Shoe Manufacturers' Association has strongly recommended the "Harvard System of Accounts for Shoe Retailers." The retailers already enlisted are being grouped according to their geographic location and the population of market and according to the grade of goods handled, in order that significant averages may be presented without violating the confidential relations maintained with the individual dealer. In addition to the retailing, the undertaking calls also for the study of the wholesaling of shoes and the direct sale by the manufacturer. The distribution of other commodities will later be studied with similar thoroughness.

The need and utility of such a study as this here briefly outlined is obvious to anyone familiar with the vagaries and defects widely prevalent in bookkeeping methods. Clear and adequate bookkeeping is an elementary requirement for efficient business, but it is far from general among the retailers of this country. There are concerns, of course, with

elaborate systems, sometimes too elaborate; but it is too common to find the spindle-file of invoices almost the sole record of business.

Some of the differences encountered in the shoe dealers' accounts have already been mentioned. In addition to the variations in depreciation, in accounting for rent and interest, and in the basis on which profits are estimated, there is much divergence in the treatment of discounts. Some enter discounts as a separate item and others do not enter discounts at all, but charge the goods at the net invoice price. A better illustration of the rule-of-thumb methods too often practiced could hardly be presented than the fact that many stores know only their gross sales and their main expenditures and figure that discounts will roughly balance the miscellaneous expenditures. Some actually do not know whether they mark up sufficiently or not but sell at their competitor's price, instead of finding their own cost and attempting to reduce it or meet the difference, if any, by an increase in service.

The problem of stock keeping is closely allied with that of accounting and is of the greatest importance. In many shoe stores, at least one-half of the stock is handled without profit when all expenses such as depreciation, salary for the dealer himself, and the rent of the store he owns, is considered. This seems due not only to imperfect accounting but to incomplete knowledge of the market, that is of the sizes demanded by the customers, and to over buying. The policy said to have been adopted by some clothing houses of restraining their salesmen from over selling the dealer does not seem as yet to have been adopted generally in the shoe trade. Some progressive shoe dealers have card indices of their customers by the use of which they can buy more exactly, but comparatively speaking such dealers are still the exception. Only a beginning has been made in a scientific study of the market for shoes, such as the regional variation in sizes and style demand.

It is confidently expected that this investigation will throw light on a number of other problems of this business, such as those of advertising, cut sales, deliveries, wage-payment, and trade-marked goods. The complicated question of direct sale as compared with sale through the regular channels of distribution must also be examined.

From a public point of view, it is needless to emphasize the value of an unbiased attitude combined with broad knowledge in handling these difficult and often controversial points. But the demand for knowledge and guidance in these matters is becoming more insistent. The general public is stirring uneasily and is suspicious of the middleman. The recent report of the tariff board on the cotton industry has pointed an accusing finger at the middleman. The question is not merely one of cost to producer or consumer but of service and of social utility. It involves the social problem of the maintenance of the great middle class, of which the retailers are an important part, the preservation of opportunity for the independent business man in an economic organization increasingly swayed by great aggregations of capital and combinations of labor.

The ultimate bearings, however, of this subject do not immediately concern us here. We, at the Harvard School, are glad of this opportunity to present a plea for the scientific study of modern retailing as a vital factor in distribution and in our whole business and social life. A scientific study means the collection of the facts in a painstaking and impartial spirit, the ascertaining of the true and the elimination of the irrelevant facts, the classification and correlation of this sifted material, and finally the statement and publication of significant and useful conclusions. This

is no easy nor speedily accomplished task. It calls for our best endeavor and your assistance. This work interests not merely the line of business which is already coöperating with us but is of significance to other business men, to the banker, to the credit-man, as well as to those in other industries. The Bureau of Business Research of the Harvard Business School, as an agency for promoting coöperation, is a sign of the times. Through associations local and national, through trade papers, and through such meetings as this, the business men are working out not merely more efficient methods, but a spirit of mutual helpfulness. (Great applause.)

Mr. D. G. Endy, Philadelphia—I move that the splendid paper we have just listened to, be printed by the National Association, and that copies in pamphlet form be provided for distribution to our members.

Motion seconded and unanimously carried.

President New—I believe more than ever in the saying: "You can always tell a Harvard man, but you cannot tell him much." (Great laughter and applause.)

We shall now have the great pleasure of hearing an address on "What Credit Men Have Accomplished Through the Bankruptcy Amendments of 1910," by the Hon. James M. Olmstead, referee in bankruptcy, county of Suffolk district.

What Credit Men Have Accomplished Through the Bankruptcy Amendments of 1910

ADDRESS BY THE HON. JAMES M. OLMSTEAD, REFEREE IN BANKRUPTCY
FOR SUFFOLK COUNTY, BOSTON, MASS.

Mr. President and Gentlemen:

How any large body of merchants could ever get up any enthusiasm over a system which seems solely to relieve debtors of their debts I never could understand. (Laughter.) How any large body of lawyers could ever be enthusiastic over a system which seeks solely to rob them of the fruits of their victories, I never could understand. (Laughter and applause.) But when you view the subject of bankruptcy from the viewpoint of merchant and the creditor your interest is quickened at once. When you consider that bankruptcy means administration, distribution, the reorganization of corporations; when, in other words, you regard it as a commercial regulation, then your interest at once becomes keen. When you regard it as a system of reducing of creditors to an equality, or the setting aside of preferences and attachments so that the creditor in Illinois in seeking his dividend may stand on the same footing as local creditors, we will say, in the administration of a New York estate, then you begin to see its great advantages.

In 1898 the so-called Torrey bill was enacted, largely through the support of this great organization. For several years the courts persistently made unfortunate decisions, and in 1903, again largely through the influence of your organization, together with the National Association of Referees, and Referee Hotchkiss, of New York, in particular, an amendment was passed which corrected many of the abuses.

The courts, however, continued to go wrong, and it became necessary to make further improvements, and I want to tell you briefly of the

great amendments of 1910 and how they are meeting the objections to the bankruptcy law.

Seven reforms were accomplished in the 1910 amendments, which were secured largely by the efforts—I might almost say solely by the efforts of your great organization and your eminent counsel Mr. Harold Remington. (Applause.)

The first amendment to which I desire to call your attention is that of ancillary jurisdiction. Now, an ancillary or auxiliary jurisdiction is to bankruptcy what an ancillary receivership is to the railroad



CURTIS R. BURNETT
American Oil & Supply Co., Newark, N. J.
Director

Imagine an embarrassed railroad having lines extending through various states. It becomes necessary to have uniform administration. The Supreme Court of the United States decided that the bankruptcy court had ancillary jurisdiction; but by this amendment we have gained by express legislation a clause under which the court of original administration may administer the assets of corporations and large concerns throughout the land.

The constitution of the United States,—and there are some of us who still respect it,—provides for the establishment of laws on the subject of bankruptcies—mark the plural—throughout the United States. Under this provision we get now by ancillary jurisdiction uniform administration.

The next amendment relates to the scope of bankruptcy. By that I mean what corporations are amenable to bankruptcy. The courts made both amusing and absurd decisions. To correct this condition we reverted to the language of the former act, so that now any moneyed business or commercial corporation, except a municipal, banking, insurance or railroad corporation, is amenable to bankruptcy.

And that reminds me that there is still work for this great association to do along this line. Under the former law the affairs of railroads were administered through the court of bankruptcy, very properly. There is no reason why an insurance company's affairs should not be administered by the same tribunal. The same is true of a banking corporation. Therefore I hope that in the future the law may still further be extended to include these three lines of business.

The subject of composition which is a substitute for the assignment, which the Supreme Court has held (I refer to the assignment) to be a scheme to hinder, delay and defraud creditors, is important. Composition is the ideal method of settling one's affairs honorably with a creditor, saving the good will of a lifetime, and continuing the business which one has built up by his efforts. Bear in mind this is not a nation of aristocrats. Commerce is the life blood of the country. And now the improvement affected by this amendment was the right of a petitioner to adjust his affairs without any adjudication of bankruptcy. Prejudice plays a very great part in the affairs of men's lives. There are men who will not make a will because it will hasten the day of their death. Men naturally shrink from being adjudicated bankrupts. The law now provides that a case may be settled without even such an adjudication—a great reform accomplished by your efforts.

The next reform relates to the title of the trustee. Under the decisions of the courts which were constantly going wrong, it was held that the trustee took no better right than the debtor himself had. In other words, as the common expression was, the trustee stepped into the shoes of the bankrupt. Now, by this reform amendment, the trustee is given the right of the general creditors; and it is only proper that as he is their representative, he should have this enlarged right and title.

The next reform related to commissions; and let me say to you now, and it is my firm conviction, that there is no law which is administered so economically and expeditiously as the present law as amended. Under this reform the discretion of the district judge is entirely eliminated and fixed. Commission rates are now established for receivers, trustees and marshals, so that we have no more scandal connected with extravagant administration and midnight receiverships.

Another reform relates to petitioning creditors, under which notice must be sent of any application to dismiss a petition. One way by which creditors might get a preference, a method which the law was especially designed to avoid, was to file a petition in bankruptcy and be bought off.

Now, this cannot be done any more, because a notice must be sent to every creditor. It is easy enough to buy off three men, but it is pretty difficult to buy off a hundred.

On the question of preferences, an improvement was made in rela-

tion to the time when a preference should be established. A mortgage, we will say might be given to a creditor by the debtor, six months or a year before his failure. If at that time he was solvent and the creditor had no reasonable cause to believe that a preference was intended, the conveyance would stand. Later on when the creditor learned that he was in failing circumstances, he put his mortgage on record. The courts held, erroneously, I believe, that the test was the time when the conveyance was originally made. The reform establishes that if he was insolvent at the time the mortgage was recorded, then the preference is established, so there is another great reform among the seven I have enumerated.

There is a terse Latin saying: "*Post prælia præmia*," after the battles the rewards. We are beginning to get the returns after two years of the decisions from the courts, showing the great practical advantages of the amendments which you have accomplished.

I thank you very much, gentlemen, for your attention to my explanation of this somewhat technical but certainly practical subject. The results are due to your efforts and those of your counsel.

We have in this city a crack military organization, known as the First Corps of Cadets. Its motto is "*Monstrat viam*,"—it shows the way. You will pardon me for dropping into Latin, but in the Athens of America every one, you know, speaks Greek or Latin more or less. (Great applause.) We have here what I consider,—and you will pardon my pride in so alluding to it,—a model administration of the law. We have a complete equipment, so far as the courts, clerks, etc., are concerned, and we attempt to show the way the bankruptcy law should be administered. We have not a breath of scandal upon it, no extravagant fees or practices, I hope. It would afford me great pleasure if you, one and all, could visit the post office and see how the work is accomplished, as a model for further application.

I thank you. (Great applause.)

President New—We will now have the report of the Business Literature Committee, which will be presented by Mr. C. L. Whichard, of Norfolk, Va.

Report of the Business Literature Committee

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:

Inasmuch as the policies of the National Association in the department coming under the Business Literature Committee have by successive conventions been well established, and the publications issued from the National office have been put upon a plane to represent the best thought of the Association, your committee has not felt that it was in this direction that it could most advantageously devote its energies.

Our feeling is that the BULLETIN has become not only a splendid register of credit grantors' doings, but may rightly take its place among the best business publications, and the credit grantor who neglects to glean from its pages the information, the suggestions, the material for thought, there assembled, is doing himself, certainly his concern, and very likely his community, a distinct injustice. There is very little appearing in the monthly BULLETIN of the Association that shoots wide.

of the mark. The intention is that all that appears there shall help in the problems of credit, whether in the form of warnings, or information as to the operation of different phases of credit agencies, or exchange of ideas as to department methods, or accounts of the doings of standing committees and local associations, or words to give courage, enthusiasm and inspiration to those credit men who are endeavoring to lift their sphere of work to a point where it will be recognized as among the first in quality of service rendered to commerce and the general welfare. If you men here in the convention have been neglecting your BULLETIN, it is your duty now to resolve that you will no longer be open to that charge.

During the year 196,339 copies of the BULLETIN were distributed. These figures show an increased circulation over the previous year of 22,639 copies, and over the year 1909-10 of 40,589 copies.

The mailing of first-of-the-month letters to the individual membership and to officers of local associations has been continued throughout the year. The peculiar advantage of these letters is that the National office can approach its members more personally and directly through them than through the regular BULLETIN, and it is also a better conveyor of "privileged communications." The office is continually in receipt of expressions of appreciation of this letter. The directors of the Chicago association, feeling that the monthly letter as issued by the National office should go direct to all their members, arranged experimentally to have sent out a special edition of the May first letter to all members at Chicago. It is remarkable how correspondence between Chicago members and the National office was in this way stimulated. Your committee wishes it were possible to get the National office's letter every month into the hands of every member direct, whether individual or affiliated, and in a resolution will recommend that the incoming committee look into the practicability of doing so under a plan which will be fair both to the National office and the local associations. There is no doubt in your committee's mind that the adoption of such plan would increase greatly the value of membership and give a stronger associational spirit, and thus reduce to a considerable extent the resignation percentage, for we contend that lack of knowledge of what the Association stands for, what it is doing, and its facilities for service, is what causes members to drop out of our organization.

As far as your committee has been able to observe, there is not, generally speaking, a proper appreciation on the part of our local associations of the importance of giving intelligent, persistent, serious publicity to the work of the Association locally and nationally. We realize that to be responsible for association publicity requires alertness to seize the opportunity, some force and dignity in expression, and attention to details, but there is nothing which will produce more substantial results in association work of any sort than intelligent publicity. As well try to keep up steam without the stoker as to keep up enthusiasm in an association without a publicity committee, realizing, of course, that as there is a difference in the results which stokers get, so there will be in what publicity committees accomplish.

Then there is a choice as to the way the message from the publicity committee is, so to speak, "put up." People like to receive a letter form of communication rather than a printed communication, even though it comes under a one-cent stamp. The committee is positive that those associations which use a letter form of bulletin or monthly communication

get better results than the associations which have adopted the printed form. And while on the subject of regular local bulletins, we wish to call attention to the fact that there has never been worked out a systematic method of exchanging local bulletins among our affiliated branches. We think this is important, because it is right and proper that the publicity committee of one association be privileged to cull ideas from committees responsible for the same sort of work in other associations. We believe that the incoming Business Literature Committee should take up the question of a systematic exchange of local bulletins among affiliated branches of this Association.

Coupled with the Business Literature Committee's work, or, as some perhaps more wisely choose to call it, Publicity Committee's work, is the frequent noon-day luncheon. Many associations declare that the noon-day meeting is with them impossible, or at least not feasible. That is the way the men of the Norfolk association felt before they established such meetings, but the chairman of your committee wants to say that, put in the hands of earnest, loyal association men nothing can do so much for an organization and tend to increase its usefulness to the community so much as the noon-day meeting, and I know testimony could be given from the floor of the convention by members located in many parts of the country and from cities differing greatly as to industries and geographical layout regarding the remarkable value of the weekly noon-day luncheon.

There is another important branch of work which publicity committees in local associations give too little heed to. Your committee has in mind the fact that our associations are lax in giving the National office notes on local doings. Again and again those in charge of the BULLETIN have their attention called by the merest chance to matters of distinct importance nationally as well as locally. This is not as it should be. It may not be possible to use in the BULLETIN columns all that associations send in or if used, it may have to be condensed or changed in form, but this fact should not deter local associations from supplying liberally matter of possible general interest.

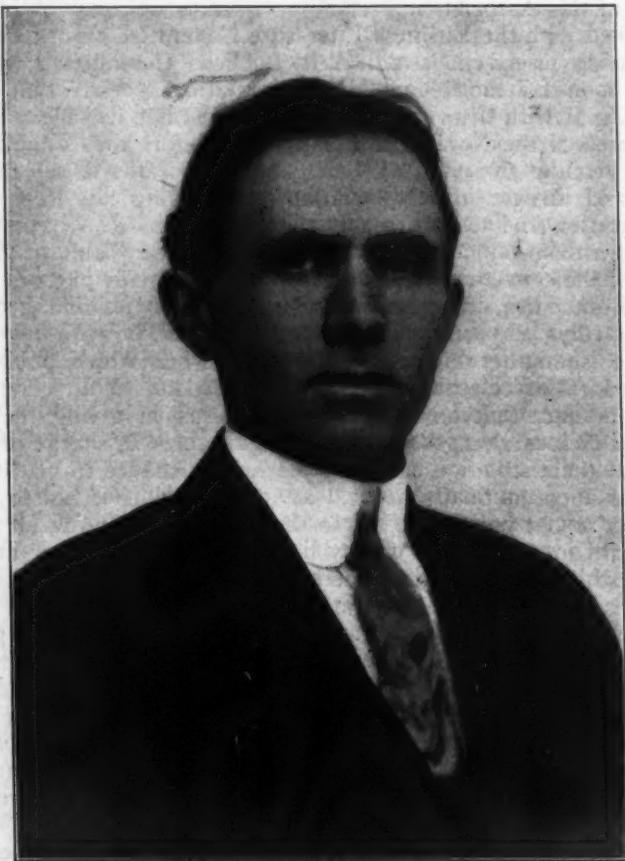
During the year the Association has had printed special pamphlets on "Some Considerations and Observations Upon Terms of Payment," by W. L. Brownell, Ampere, N. J.; "Bankruptcy Law and Business Men, the Reasons Why," by Harold Remington of the New York bar, and leaflets regarding the false statement law. In course of preparation is a revision of H. E. Smith's pamphlet, "The Interchange Bureau by One Who Has Tested Its Possibilities and Limitations," and a pamphlet regarding the bad check law as passed in several states.

Your committee believes that the list of pamphlets issued by the Association on special subjects should be strengthened somewhat as has been done in the department of fire insurance. It believes that there should be a steady flow of inspiring, suggestive and instructive literature emanating from the National office; that that office should be a steadily increasing power in the advancement of sound learning and efficient methods among members and business men in general, for we argue that the credit man should be the man among his fellow business men from whom we have the right to expect sound, economic business conclusions. His principal function is that of an educator for is it not his duty to tell his customers what they must do or cannot do if they are to maintain their credit?

Your committee notes with pleasure the work undertaken by our members; particularly in St. Louis, New York and Cleveland, in con-

junction with local Young Men's Christian Associations to bring out through lecture courses to our young business men the principles of credit granting. It is your committee's hope that the experiments made at these points have been sufficiently appreciated and so fruitful of results that there will be arranged courses of even broader scope, and that credit men of other cities will undertake to perform like services for their young men.

It is a source of satisfaction to your committee to note the signs of



H. G. BARBEE
Harris, Woodson, Barbee Co., Norfolk, Va.
Director and Chairman, Business Literature Committee

increasing interest on the part of our members in the movement among our schools and colleges to open departments of business administration, and your committee is particularly gratified because its suggestion to invite the head of the school of business administration of our oldest educational institution could be carried through and that Dean Gay could be with us today.

The Diary of 1912, representing the fourth issue of the Credit Men's Diary, met with even a better reception than that of any previous year,

Every year has witnessed a distinct improvement in material presented over the previous year, yet plans for still further improvements have not been exhausted. We feel that every member would be better off for this daily reminder of the Association, and your committee ventures the hope that instead of one-eighth of the membership subscribing to that volume, at least a majority will soon realize its important place in credit granting.

Your committee has had called to its attention the fact that credit men frequently need to secure quickly business forms prescribed by the various states. In the Association's desire to be of every practical utility to members, it occurs to your committee that it might be of advantage to carry a stock of the more commonly used forms for the more important states. The suggestion came too late to permit the committee to learn the cost of carrying a stock of forms in reasonable variety, and is going to suggest that the incoming committee consider this recommendation.

In conclusion your committee offers the following resolutions:

I

"Resolved, That the incoming Business Literature Committee lay special emphasis during the coming year on publicity work among local associations; first, by urging that each association appoint a committee, well qualified for publicity work and alert to its importance; second, by calling attention to the importance of every local member receiving from his officers a monthly communication, preferably in letter form; and, thirdly, where it is not found possible to prepare such letter locally, by arranging with the National office for the mailing of its monthly letter on an equitable basis.

II

"Resolved, That this convention express its appreciation of the value of the weekly noon-day meetings at local association points, and that the incoming Business Literature Committee be urged through the columns of the BULLETIN and regular letters to encourage the extension of the weekly noon-day meeting plan throughout our organization.

III

"Resolved, That it is the sense of this convention that there be prepared under the direction of the Business Literature Committee and the National office for each department of our work so far as feasible, strong, convincing, educative literature such as has been issued in connection with our fire insurance and fire prevention work.

IV

"Recognizing the increasing demand in business life for men of sound business learning and special training, be it

"Resolved, That the convention view with satisfaction the fact that its members at many points have interested themselves in educational extension work, in connection with study courses in such institutions as our Young Men's Christian Associations, as also in our schools and colleges of higher learning.

V

"Resolved, That the Business Literature Committee secure as soon as possible information as to the practicability of the National office car-

rying a stock of those business forms in common use in the various states, with a view to supplying such forms to members promptly at cost prices."

Respectfully submitted,

W. B. BROADDUS,
E. F. SHEFFY,
LEON WALLERSTEIN,
C. L. WHICHARD,
H. G. BARBEE, *Chairman.*

At the conclusion of the reading of the report of the Business Literature Committee, the chairman moved the adoption of the report and of the resolutions as read.

President New—Shall the recommendations be acted on separately?

F. H. McAdow, Chicago—I would like to offer an amendment to include Chicago in the list of associations that have arranged for a course in connection with the Young Men's Christian Association. The course has actually been started.

President New—The secretary will see that the correction is made.

Mr. C. R. Miller, Portland—I wish you would include Portland, Oregon, in that list also. We have arranged with the Young Men's Christian Association to have such a course.

President New—That will be included also. I understand Boston has also done the same thing, and we will include that. With the understanding that these additions will be made, the resolutions are before you.

Motion made, seconded and unanimously carried adopting the report and resolutions.

President New—I wish to announce that this is the largest convention we have ever had. There are 1,034 registered today (Great applause), and when I came in this morning I found that up to this time, and we are still going strong, we had 1,149 registered. (Great applause.)

Now, all of us who were at the Minneapolis convention will remember the silver-tongued orator who spoke to us there and who is again to address us, Mr. H. W. Parker of St. Paul. His subject is "The Credit Man of the Bank. (Great and long-continued applause.)

The Credit Man of the Bank

ADDRESS OF H. W. PARKER, ST. PAUL, MINN.

Mr. President, Ladies and Gentlemen:

I was in a measure prepared for a happy introduction by the president, but such lavish, unwarranted and unmerited words of praise from the lips of the presiding elder (Great laughter), the rapid volley of hand-arms from the fair contingent (Laughter), the boom, boom of the heavy ordnance from the army of delegates, the wild war whoops of the Indians from Minnesota and Dakota (Great laughter) are—a—well it seems to me I can best express my feelings by telling you a story:

They had a verra dry spell in Scotland once. The grass was parched and withered and the streams were becoming dry, and on a particular Sunday morn, a minister in a certain locality concluded to offer a prayer for rain. He prayed loud and he prayed long, and as he prayed the

heavens opened and the rain came down in torrents and the country 'round about was deluged. He stopped a moment in his prayer to ascertain what had taken place, then resuming his prayerful attitude he said: "Guid Lord, we asked Ye for a wee drap o' rain, but this is ridiculous." (Great laughter and applause.)

I am never called to my feet to address an audience but I feel as uncertain of tongue as Jock Gordon did of eyesight, and just how uncertain Jock was let me tell you:

Two Scotchmen by the name of Jock Gordon and Sandy Maginnis went to the town of Edinburgh to dispose of some marketable stuff. They reaped a far better price than they anticipated, consequently they felt very much elated,—so much so that one suggested to the other that they go into a tavern hard by and tak a wee drap o' the auld kirk. Well, one wee drop suggested another wee drop until the first thing they knew they were soused. Staggering down the street arm in arm, Jock says: "Sandy, mon." "What is it, Jock?" "I am wonderin' what I would do if the Minister were to see me noo." "I am no thinkin' aboot the Minister," said Sandy. "No," said Jock. "I am wonderin' what would happen if ma wife saw me the noo." "Jock, mon." "Sandy, mon, what is it?" "You just bide a wee and I'll tak a step or twa and see if I can gang straight." "I'll bide a wee," said Jock. So Sandy walked two or three paces very unsteadily; then turning around he called to Jock: "Jock, mon! Jock, mon!!" "Sandy, mon, what is it?" "Be I walkin' straight, Jock?" "Aye, mon, ye be walkin' straight, but I canna' make out the mon walkin' wi' ye." (Great laughter.)

I fully appreciate the fact, Mr. President, that I have been called here to give a dissertation upon a very serious and important subject, and not to engage in frivolities; but the welcome accorded by our hosts, the Bostonians, has been so genuine and so generous, the air of Boston so invigorating, exhilarating and intoxicating (Laughter), and the ladies so charmingly engaging, that I just have to effervesce. Humor being a sparkle to the wine of life, I thought I would put a little bead on it. (Laughter and applause.)

As the tides of memory are fickle at times, I shall keep my notes before me, lest I find myself at sea.

An author strolling one day, chanced upon an acquaintance and thus greeted him: "Hello Bimkins, old man, have you seen my new book?" "Have you read it?" "Yes?" "Well then old chap, tell me just what you think of it; criticise it, if you will, but be perfectly candid and frank with me and give me your honest opinion." Bimkins was thoughtful for a moment and then said: "Well old chap, there is just one thing wrong with your book, so far as I can see, and that is, the covers are too far apart." (Great laughter and applause.)

I trust, gentlemen, that my manuscript will not merit the same criticism at your hands.

The subject assigned me, "The Credit Man of the Bank," is not a new one. It is as old as the profession of banking. Much has been said and written on the subject, and much more will no doubt be said and written until the last syllable of recorded time. In the early day of banking, credits were to a large degree a matter of guesswork—made in a haphazard manner and based largely upon the general reputation of the one seeking credit. Today a credit system has been evolved which approaches the dignity of a science. I do not presume to say that it may be regarded as an exact science, but are there not

certain well established guiding principles attached to the subject which entitle credits to some place in the list of sciences?

I presume I am addressing an audience chiefly made up of men who deal in mercantile credits. While the whole system of credits is based largely upon the same theories, there is still some distinction between mercantile credits and bank credits.

A house dealing in the commodities of commerce is permitted a wider scope and can deal in more liberal terms than a bank which deals purely in financial credits. The former, in the first place, has a wider margin of profits, which will permit of heavier losses. Such losses will not so materially affect the financial integrity of a mercantile house. Losses through mistaken credits made by a bank mean not only loss of money, but may seriously affect the standing of the bank in the minds of its depositors.

Bank deposits come from all sorts and conditions of men, many of whom do not comprehend the fact that when they deposit their money in the bank, they extend to the bank the privilege of loaning the money on commercial risks.

I might say that the important distinction between mercantile and financial credits lies in the fact that the former is confined to a single line of values, while the latter is concerned with all lines. For instance, where a merchant deals in dry goods the credit man has only to base his credits on dry goods values. A merchant dealing in hardware is a specialist in that line, a merchant dealing in groceries is a specialist in his line, and so on down through the line of mercantile activities. But the credit man in a bank, to be successful, must have a general comprehension of the value of all mercantile assets. Take for example two statements, which analyzed, show the same net worth, the one statement based upon commodities of staple value and worth, as necessities, in that they supply the prerequisites of life—food, clothing and habitation, such for instance as coal and wood, dry goods, groceries, etc. To dealers in such commodities a larger line of credit can safely be given than to those dealing in hats, caps, jewelry, etc., merchandise which fluctuates in value by reason of changes in fashion and is not in the same class as the first named as prerequisites.

The modern system of bank credits is confined to a department solely devoted to the purpose. A credit man in a bank is selected for his ability to analyze statements. Upon his wisdom and judgment largely depends the success of the bank. He must be a man of good business judgment, as well as a good judge of human nature. He must be capable of taking the statement of a customer and of detecting errors. He must be able to separate fixed assets from quick assets, and to place correct ratings upon such assets. He should also be able to place a hammer value upon assets or such values as could be realized under a forced sale. He must understand trade conditions and exercise a keen insight into conditions which may bear upon the future. He must be a man of tact and of patience, and possessed of absolute loyalty to his bank. No man who works mechanically can ever be a successful credit man. He must be a man who understands the sacredness of confidential relations and of holding them inviolate.

As I have said before, the most important function of a credit man is the ability to interpret a statement. A correct interpretation will disclose errors, if any there be, and will also bring to light lack

of judgment on the part of the management. Through it, reckless methods and dishonesty may be discovered and loose financial habits uncovered. An unanalyzed statement is worse than no statement at all, and such a statement accepted by a bank confirms a reckless habit on the part of the maker. Statements which on their face show exact and true conditions are factors which establish sound credit.

A bank credit man, you will observe from these remarks, as distinguished from a mercantile credit man, must be able to make comprehensive estimates of value in all lines of mercantile activities.

If I may be permitted to digress somewhat from the subject, I would like to make a few remarks upon some of the other functions of a bank which go to make up bank credits.

I refer particularly to efforts which should be made along the line of diffusion of credits. In my opinion a bank should be a large factor in the building of credits. Today bankers seem to think that they have fulfilled all the requisites when they conserve commercial interests. I believe there is also a large field for their activities in the building of credits. If they would have mercantile credits to conserve, surely they must build them first.

Now, if a banker for a time would descend from his high estate and permit himself to visit among the industries of his community, to inquire into their operations, to seek information as to the habits of managements, to suggest improvements in administrations, and in short to place himself in close and confidential relationship with the business interests about him, he would take the first step toward that diffusion of credit to which I refer.

A banker by reason of his experience, acquires broad information and is qualified to extend a fostering aid in building infantile industries. Today he is too often inclined to wait in his office until the merchant in need of financial aid seeks his assistance. He knows nothing in a specific way as to the full operations of the industry. He may know a little in a general way, but he is not in a position to grant an immediate credit, but he would be, if he had taken pains to establish the confidential relations to which I refer.

Some borrowers take it as a personal offense if a bank requests a statement when they seek a loan. It is hard to conceive why this should be. Surely they would not grant credit to a prospective customer without first informing themselves as fully and completely as possible as to his general standing and financial integrity or worth. Why then should a merchant or individual borrower expect a bank to become a temporary investor in his business enterprises without fully informing the bank as to his true condition and the basis for investment? A bank has a right to know how the money it loans out is to be used, and it should not only inform itself as to the character of the management of the business borrowing of it, but also as to the deportment of the heads of the business outside of their business life.

A bank that is a prolific loaner of other people's money upon inadequate information, or extends credit without firmly establishing the rights of the borrower to credit consideration, is pursuing a course which will sooner or later plunge its business into a hopeless state of ruin.

It is the credit man's business to find out whom to trust and to what extent. Intuition in the matter of credits is a very poor thing to follow. So, too, is a generally accepted belief, which is not rein-

forced by corroborative testimony or proof, that a man is good for his contracts. Credits should rest upon the sure foundation of specific information and knowledge, and not hearsay or intuition. It is the credit man's duty to seek, gather and compile such information that the officers of the bank may be readily able to fix a man's credit rating.

Our country is a vast one and its field of commercial activities is ever on the increase. We have been going ahead by leaps and bounds. The growth of our commercial activities is due largely no doubt to the liberality with which credit has been granted in days gone by. Panics of recent years have demonstrated the fact that liberality in extending credit on a false basis is injurious, not only to the grantor of it, but to the grantee. From the bitter lesson acquired in the school of experience, we are learning to sift the chaff from the wheat and give credit only to him to whom credit is due. Of course mistakes in judgment will be made, because none of us is infallible, but with precise information as to the personal equation, a comprehensive weighing of that information and the intelligent analyzation of statements, credits in a bank will rest upon a firm foundation and the depositors' money is safe from the onslaught of failures. (Great applause.)

Mr. A. C. Carpenter, New Orleans—I want to say for the information of the Association assembled that I have just received word from Louisiana that our bulk sales law and false statement law, countenanced and urged by this Association and offered to the legislature by the local association at New Orleans, has passed the lower house of the legislature. (Applause.)

After Mr. E. H. Decatur in behalf of the Boston association had made announcements regarding the entertainment program, Secretary Tregoe read the following communication from the Second National Bank of Boston:

"National Association of Credit Men,

In convention at Boston, Mass.

"DEAR SIRS: Referring to my conversation over the telephone with Mr. Whiting, I beg to send herewith an invitation to the members of your Association one and all to inspect the new banking rooms of the Second National Bank. Hoping to have the pleasure of seeing many members, I am

Very truly yours,

THOMAS P. BEAL."

Secretary Tregoe—I would like one of the members, the secretary preferably, of every local association, to call at the registration rooms in order to ascertain if all his delegation is registered in due form. Let each do this as he passes out of the building, because the committee on credentials must make up its preliminary roll tomorrow.

It is my sad duty to report to you at this time that one of our old members, who attended our conventions in the years gone by, one of the credit managers of the Baltimore Bargain House, Robert McDowell, dropped dead this morning. I think it is fitting that this convention by rising vote ask President Boyd of the Baltimore association to wire the sympathies of this convention to Mr. McDowell's family.

A resolution of sympathy to Mr. McDowell's family was then unanimously adopted by rising vote.

Recess was then taken until the next day, Thursday, June 20, at 9:30 o'clock A. M.

THIRD DAY

Thursday, June 20, 1912

MORNING SESSION

President New called to order the morning session of the third day of the convention at 9.45 o'clock A. M. The invocation was pronounced by the Rev. M. M. Eichler, Temple Ohabei Sholom.

Secretary Tregoe—I have received the following communication from the Retail Credit Men's Association of Boston:

"Boston, June 20, 1912.

To the National Association of Credit Men in convention assembled,

J. H. Tregoe, Secretary.

DEAR SIR:

The following motion was unanimously adopted at the Retail Credit Men's Association's monthly meeting held at Hotel Bellevue, Wednesday evening, June 19, 1912:

'Resolved, That the Retail Credit Men's Association of Boston extend the most hearty welcome to the National Association of Credit Men now holding its convention in our city. We wish heartily to congratulate that association on the good work it has accomplished and is now carrying on; and though not affiliated therewith we realize that the work it is doing is of great assistance to practically every line of business interest in the country.'

With best wishes for all success and enjoyment while among us, we remain,

Yours,

Retail Credit Men's Association of Boston,

William J. Starr, Secretary."

(Applause.)

Secretary Tregoe then called upon those having names to put in nomination for directors to submit them before the close of the afternoon session, inasmuch as nominations would be closed at that time.

President New—The first address on our program this morning will be delivered on the subject "Credit, Past and Future," by one of the members of the St. Louis organization. I am glad to introduce to you Mr. Henry C. Scott. (Applause.)

Credit—Past and Future

ADDRESS BY HENRY C. SCOTT, ST. LOUIS, MISSOURI

Credit is such a vast, venerable, vital fact in society that it would seem almost a sacrilege to attempt to dissect it, nor do I know indeed the man really capable of its proper analyzing.

Credit, history seems to tell us, is as old as the world itself. God Almighty, in His infinite wisdom created man, and having given him dominion over things upon earth under certain conditions, peace and prosperity seemed assured. But no, the perverseness of Father Adam

and his insatiable desire to acquire everything, lost him the riches at first vouchsafed him, and we have chronicled the first bankruptcy court, since which time suffering humanity has questionably enjoyed the fruits of that bankruptcy.

Father Adam's endeavor to shift the burden of his failure upon the shoulders of Mother Eve—more shame to him—finds its counterpart at the present time in the eagerness to place the fault of failure upon the shoulders of others rather than manfully to assume the consequences ourselves.

From the time of Adam's banishment up to the time of Noah, reference is made to property of various kinds, but nothing spoken of as money, which is but a form of credit in that it is the promise of the whole people instead of that of the individual.

Right here it might be said disaster in the shape of the flood is recorded in the annals of history as the result of the abuses of credit—credit generously extended mankind—and, while of course assurances have been given that a similar annihilation will never be repeated, yet we could well take to heart the instructive as well as the destructive lesson taught in holy writ.

Continuing on down through the centuries, commercialism has permeated the affairs of man, and accompanying that commercialism we find credit entering timidly to help in the exchange of commodities.

The desire for wealth has since the world's inception seemed the goal of man's ambition, and in the furtherance of his plans he has gone to great lengths. In the earlier periods credit had but little chance because might is what ruled, and only where the opposing parties had about equal strength was there possible a fair exchange of property on a basis of confidence.

The establishment of various governments came merely as a result of tribal interests founded solely upon credit, formed to secure themselves the advantages of united effort. Many of these unions were forced out of existence because they did not give heed to the importance of maintaining their credit. Indeed I believe history will bear me out in saying that the rise and fall of nations is in ratio to the use or abuse of credit.

Ancient history tells us how men banded together, forming caravans, made tedious journeys from place to place, carrying their products for the exchange of the wares of others, how this transfer of property was made positively, credit seemingly being absent. Yet there is no transaction made or entered into in which credit does not form some part, that is, in the broad sense of the term, and not that which we have restricted it to today.

Credit is indeed the keystone of our very existence, the one prevailing, positive and material thing from the cradle to the grave. It is based on confidence, and the finest and most striking example of confidence is found in the relationship between parent and child. Let that confidence between parent and child be injured and there has been struck an irreparable blow to the development of that child. Its future has been irretrievably harmed.

Did it ever occur to you that every time the parent fails to tell anything but the truth to his child, some day that falsehood will be revealed, and, by just so much, it will have lost faith in the parent? Credit will have suffered a shock, and many such occurrences will shake that confi-

dence in growing youth which is necessary to a peaceful, prosperous pursuit of a livelihood.

It has been said that the world's rule lies in the lap of womanhood. Let her but realize the importance of her position, and so conscientiously carry herself that faith in her utterances and actions will never be questioned by the child given to her care. Thus a foundation of truthfulness will have been laid, which, like unto the casting of bread upon the waters, will return after many days. So let me repeat that it is the first duty of parents to sow the seeds of probity such as will bring abundant harvest of honor and integrity.

Until the early part of the nineteenth century, no organized effort was made to give information concerning business men, and the granting of credit was based upon personal acquaintanceship and extended over a field more or less restricted, determined almost entirely by accessibility. But with the installation of our modern means of communication and transportation, new communities sprang into existence. The field of business expanded, and there followed a demand for more extended information than could be obtained by personal acquaintanceship; thus a dependency came to be placed upon the knowledge of others.

American ingenuity, ever to the front, evolved a business of collecting and distributing information concerning business men as a first aid to the extension of credit, and thus was born the first mercantile agency in the year 1836.

It was not until 1849, however, that a publication presenting credit ratings was issued. Numerous publications of similar nature have been issued from time to time in this country, but up to the present the United States is the only country, so I have been informed, that publishes a rating book. Much as we credit men anathematize the imperfections of these books, would or could we do without them? And I ask, are we not in a measure somewhat responsible for their imperfections? Could we not with a little personal effort help make them what we would like to have them become—true indices of commercial worth?

Since our last convention twelve months have rolled by and much has been accomplished for the advancement of credit conditions.

Undoubtedly the highest point yet reached in the system of credit extension is found in our bureaus for the exchange of credit information. Here are passed in review with great frequency and care the standing of nearly every applicant for credit in the trade territory dependent upon a bureau city. The bureau is to a large extent in a position to stamp with its approval or disapproval all the accounts within its particular field. It should be a source of general satisfaction that these bureaus under our Association are becoming year by year more numerous and more vitally efficient. The National Association of Credit Men could scarcely direct its efforts more wisely than in developing the credit exchange bureau idea.

Also let me suggest to our National Association the advisability of creating a bureau for exchanging credit information, national in scope. There can be no question as to the advantage of such a movement. This bureau should be located, it seems to me, as near the geographical center as possible, in order to cut down the time in transit of mails, and in behalf of my home city, St. Louis, I would suggest that it has every advantage for quick handling of national exchange all over the land.

Throughout the country considerable thought and attention is being given to the education of men ambitious to enter the credit department. St. Louis, with her energies devoted to business advance, became the pio-

neer in this educational work by instituting a class in credits under the auspices of the Young Men's Christian Association, the instructor and lecturers being members of the St. Louis Association of Credit Men. The advantages and benefits of this plan have been demonstrated, and several other cities have taken up the movement with enthusiasm, and I believe, with success.

We must not lose sight of the fact that unless intelligently directed attention is given to the business education of the youth of our land, the



L. B. McCausland
Ross Bros., Wichita, Kan.
Director

country's development is certain to be seriously affected. Those who have made a study of failures and the causes of failures have concluded that the great percentage of failures results from two causes,—incompetence and lack of capital. These two average almost sixty per cent of the number of failures. If, by a proper system of education through our public school system, the youth of our land could be taught the necessity of understanding the business which they expect to handle, as well as the amount of money that they must invest in a proposed enterprise, and

in addition thereto get a knowledge of the cost of doing business as well as some theory of the manner of selling goods, our failures from the two great causes named would be reduced. I assert that unless something of this sort is done, we cannot but look forward in the future to the same troubles that we have suffered from in the past as credit men.

In education, we have our greatest business asset. The wonderful advancement of the United States has been brought about largely because of, and through it. It is for the business men of the country to recognize this fact and demand that every facility be given our boys and girls, upon whom the country's future progress and happiness depends, to prepare themselves to take up the great business interests which we have been developing.

While I do not believe in the concentration of too much power in the hands of the government at Washington, there are certain matters demanding the deepest consideration on the part of our legislators. Among them I would offer as demanding immediate and special attention a compulsory public school law, a uniform legal interest law, a uniform exemption law, and a uniform statute of limitations. A survey of the laws of the various states in these subjects discloses conditions almost rivalling the incongruity of Joseph's coat.

We are by our Constitution one people from Maine to California—one large family. Why should we have differing laws for each state? Feudal times are past; future success and prosperity are dependent upon the unification of our laws, civil and criminal, and upon compulsory education.

The Association's task is a great one. Its work is to fight for truth among men, to strengthen confidence in the spoken and written word, to make men realize the absolute necessity of fidelity to their promises. Further, it must strive to simplify safe credit granting, to rid the country of that which acts as obstacles to the exchange of commodities among men in whatever part of the land they may reside, to make men see that so long as they depend in any sense on credit, they are trustees in their relation to their creditors and must be not only honest trustees, but careful trustees in taking every means in their power to be in a position to discharge their obligations in due course. With this spirit developed in the individual, the spirit of pride in one's credit standing, we get a nation of men about whom it may be said that their word is as good as their bond, and what higher thing can be asked or striven for than just that? Do I set too high a demand upon our Association in asking that this be considered her duty, the fundamental reason for her existence?

President New—The first committee reporting this morning will be the Committee on Bankruptcy Law. I refuse to introduce the chairman. (Great applause, long continued.)

The report of the Committee on Bankruptcy Law was then read by Mr. Chas. E. Meek, of New York.

Report of Committee on Bankruptcy Law

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

Your committee deems it unnecessary to incorporate into this report a lengthy recital of the work performed by the Association in securing the passage of the National Bankruptcy Act or of the efforts it has put

forth in keeping that act permanently upon the statute books. Since the day the law was enacted we have persistently protected it from attack on the part of those who would destroy it and have consistently worked for its betterment. A new law, like a piece of new machinery, must be tested and tried out, for human ingenuity never yet produced either a new machine or new law so highly finished as to insure perfect operation from the start. Our laboratory for years has been steadily at work applying to the law every known test. It has discovered weaknesses. These have been cured by amendment, as have also conflicts in court decisions and the law has been brought to a high degree of perfection. The Association has fully recognized its responsibility and has not hesitated to assume it. We are building for the future—a patriotic undertaking.

Only of late years has our country become an important factor in the commerce of the world; but it is true now as it always will be that the great preponderance of our trade is transacted among ourselves, and this, in the opinion of your committee, is one of the strongest arguments why we should follow in the footsteps of the older countries in having a permanent insolvency act. An eminent authority on bankruptcy law sums up the question in these words: "Don't forget the real issue. It is: Shall we go back to state laws and state courts to govern the rights and remedies of creditors and debtors in the event of business failure and for the management of insolvency estates?" With forty-eight sets of assignment laws, attachment laws, replevin laws, to say nothing of judgment notes, preferences and other "ways that are dark and tricks that are vain," can the answer be doubted, Is there a man here willing to risk his skin in the resumption of the old free-for-all scramble? Who would not prefer to make credits on a uniform basis, knowing that in case of trouble he will participate under one definite law in the distribution of the assets?

At the present time the most important task confronting us is that of the practical administration of the law. We desire to make it clear that nothing said here is to be construed as reflecting upon the courts; in fact we have reason to believe that the federal judges are, generally speaking, giving to the law a high order of administration, which would be still more effective were the creditor class to seize the opportunity the law gives and lend to the courts their hearty co-operation. The winding up of an insolvent estate is strictly a business proposition and the creditors are given the voting power that would enable them to control it as business men. By passing this work on to others you cannot avoid responsibility for the result. One of our members, in discussing this point, writes: "The tendency here with many is to make but little investigation of the bankrupt's estate. They make out their claim, give it to a lawyer, or someone else, with the result that a trustee is selected entirely unfit in point of experience and knowledge in the particular line of business. Frequently lawyers with little knowledge of merchandising, and ignorant of the ways and means that should be employed to dispose of the property to the best interests of all, are placed in charge. The creditors are asleep when such a trustee is appointed, but usually wake up just about the time they receive a dividend of 10 per cent. which would have been 50 per cent. under the management of a trustee familiar with the business, knowing how and when to dispose of it."

This presents, in substance, the tenor of several other letters, from which your committee is prompted to suggest a means whereby such a condition can easily be overcome. In the first place, wherever it is possible to do so you should attend the creditors' meetings in person. You

are entitled to have a voice in the election of the trustee, and you should exercise this right. Where this is impossible on account of distance, instead of sending your claim and giving your power of attorney to a lawyer or collection agency, or one of the so-called adjusting companies, you should make an effort to carry out one of the principles of your organization, namely, co-operation, by working through its Adjustment Bureaus. Outside of your own Association there are many business men's organizations which have been formed for the purpose of protecting the interests of their members, one element of which is caring for their insolvency cases. These organizations, generally speaking, can be relied upon and will safeguard your interests to a high degree. For these reasons they are entitled to your co-operation. But above all things, do not pass your rights along to one whose interest can be only a selfish one, or who, perhaps, may be in collusion with the bankrupt. The professional gatherer of claims is not entitled to your consideration, but, sad to say, in the past has too frequently had your encouragement.

The National Association has a standing committee on bankruptcy law and we are satisfied that each local association could with profit maintain a similar committee. Not only would this furnish the means for the quick and intelligent handling of any work connected with this subject, but would be valuable in the direction of promoting harmonious action in local bankruptcy cases. Such a committee, composed of representative business men, would wield a large influence in correcting any evil practices which might develop as times go on. We cannot too strongly recommend favorable action on this suggestion.

Your committee made a general inquiry through the affiliated branches for the purpose of determining the status of the law in the different localities and is able to report that outside of a few minor complaints a feeling of satisfaction exists. Of course opposition will crop out from time to time, but this in the main comes from individuals who through their own actions have allowed someone to get the best of them and then, because the bankruptcy law does not create something out of nothing, they promptly take on grievance against it. The great business organizations of the country have expressed their confidence in the law and their determination to support our efforts in maintaining it. It is our opinion that whatever opposition has been directed against the law, has been based principally upon ignorance of its provisions, leading to a lack of appreciation of the abundant opportunities which it undeniably affords for the businesslike administration of business failures.

It is not unusual to hear someone say, in a flippant manner, "The bankruptcy law promotes commercial crime." This we emphatically deny, for the truth is that there has been no increase in the annual crop of business failures but, as a matter of fact, an actual decrease has taken place almost every year since the enactment of the law. The committee can say, without fear of contradiction, that there are no more fraudulent failures today than there were twenty years ago, in spite of the fact that there is a large annual increase in the number of persons engaging in commercial pursuits and more and more of them who do not understand American business standards.

During the year, the Association has been active in the distribution of literature favorable to the bankruptcy law. We believe that no opportunity to continue work of this character should be lost. The law

bureau maintained by the organization has contributed materially to the educational feature of our work and has helped many members solve knotty problems.

Two years ago your Association went on record in favor of increasing the salaries of the federal judges. Congress failed to pass a bill authorizing an increase. This, in our opinion, was an unfortunate mistake. Today there is no more responsible position on the bench than that occupied by the federal judges. During the last decade this office has grown in importance far beyond expectation. Many of the men now serving on the federal bench are doing so at a loss to themselves financially. The position is concededly one of honor, and those holding it should be so provided for that their full time and best thought can be given unreservedly to their work.

In conclusion your committee offers the following resolutions:

I

"WHEREAS, The experience of the fourteen years during which the National Bankruptcy Act has been in force has demonstrated that that act is the most effective and wisely constructed law ever placed upon our statute books for the just regulation of the rights of creditors and debtors in the event of business failure, for the prevention of preferences and unfair advantages of one creditor over other creditors, and for the equitable and economical collection and distribution of the assets of insolvents, affording, also, priceless opportunities for thorough examination and investigation into the affairs of insolvent debtors, and at the same time carefully guarding against abuse of the privilege of discharge from debts, and

"WHEREAS, The necessity of a permanent national law, governing insolvency matters by well known and uniform rights and rules of practice throughout our forty-eight different states, is becoming more and more evident as trade among the citizens of the different states increases in volume and complexity; and,

"WHEREAS, Whatever defects may from time to time appear in its administration are, as a rule, defects that are inherent in the nature of insolvency administration in general, and in great part are due to the failure of the creditors themselves as business men to take that active part in the practical administration of bankrupt estates which the bankruptcy law contemplates and for which it provides full opportunity, such as the selling of the assets and the conducting of stores, factories and businesses through receivers and trustees elected by them or selected from lists furnished by business men to the courts, now, therefore, be it

"Resolved, That the National Association of Credit Men, in convention assembled, does heartily re-endorse the National Bankruptcy Act and deprecates any and all efforts to remove it from our statute books; and, furthermore, does pledge itself through its local associations and through influence over special trade organizations to bring about a greater co-operation of the business men in each community with the courts of bankruptcy in the selection of receivers and trustees, to the end that the conducting of businesses and the selling of assets in bankruptcy may be under the direction and control of receivers and trustees who are business men of practical experience in the particular trade involved, and who may have the confidence of the creditors therein; and be it further

"Resolved, That each and every local association of credit men during

the ensuing year is urged to make it a part of its special duty to see that lists of responsible and qualified men of the various trades, who will be willing to act as receivers and trustees and appraisers in bankruptcies occurring in their respective trades, are prepared and presented to the bankruptcy courts and at creditors' meetings for use in the selection of receivers and trustees and appraisers in bankruptcy, to the end that creditors may take that part in the practical management and sale of the assets which is essential to the right administration of the law and that the credit men thus may go on with their work in the bettering of the administration of that law for the amendment of which they successfully worked two years ago and behind which they have consistently stood and still stand as guarantors.

II

"WHEREAS, The salaries paid to judges of our federal courts, as follows:

Chief Justice of the Supreme Court, \$13,000,
Associate Justice of the Supreme Court, \$12,500,
Circuit Judges, \$7,000,
District Judges, \$6,000,

are inadequate and call for too great sacrifice on the part of leading members of the bar in accepting the call to such offices, be it

"Resolved, By the National Association of Credit Men in convention assembled, that we urge the increase of salaries of our federal judges, and request the members of this Association to take up this question with their representatives and senators in Congress with a view to securing their support for a measure along the lines of the Moon bill, which was introduced into the last Congress."

Respectfully submitted,

A. C. CARPENTER,
H. W. COFFIN,
G. L. LEVI,
L. B. ROGERS,
CHAS. E. MEEK, *Chairman.*

Mr. Meek—I move the acceptance of the report and the adoption of the resolutions accompanying it.

Seconded and unanimously carried.

Mr. D. L. Sawyer, Milwaukee—I desire to offer the following resolution under the head of the committee that has just reported:

"WHEREAS, Compositions under the bankruptcy law, as it now stands, enable dishonest merchants to defraud their creditors; therefore, be it

"Resolved, By the National Association of Credit Men in convention assembled, that Congress be urged to amend the national bankruptcy law by striking out the word 'majority' wherever it appears in Subdivision B of Section 12, of same, and inserting the words '75 per cent.' therefor, and that this convention instruct the incoming Bankruptcy Law Committee to use every effort to have the present law so amended."

In support of this resolution I would like to cite two or three cases in which I have been interested that have occurred within the last six months. It appears that recently there has been more inclination than

hitherto to make compositions, and make them on terms lower than heretofore for creditors. In one case in particular, in which a petition was filed last April, a composition was offered in June and forced through at 25 per cent. Within thirty days thereafter a signed property statement was made by the debtor, showing assets of \$26,850 and liabilities of \$9,750. If that statement was true (and there is no reason to disbelieve it) a composition was made in which creditors were unfairly treated.

In another case, happening about the same time, in which a composition was forced through at $33\frac{1}{3}$ per cent., within thirty days a statement was made by the debtor, showing assets at \$27,500 and liabilities of \$5,250. In other words, here was a case which should and could have paid 100 cents instead of one-third that figure.

In another case, in which a trust deed was made, a composition was offered by a friend of the debtor at 50 per cent. and was refused. Briefly thereafter a petition in bankruptcy was filed and a composition offered at 15 per cent., which I understand has gone through, for the reason that the majority of the indebtedness was due to relatives, and thus the mercantile creditors were forced to accept a composition agreement because of the clause of the section I have cited in my resolution.

In another case in which the assets were about \$6,000 in excess of the liabilities, a composition in bankruptcy was offered at 25 per cent., and a firm of attorneys sent out letters asking for creditors' claims and offering to handle them for nothing. That in itself ought to have prevented any wholesale house from giving over claims. However, these attorneys obtained a majority. They elected one of their own firm as trustee and when a composition of 25 per cent. was offered, the trustee promptly accepted it and forced the balance. This was against the better judgment of some of the creditors, but unfortunately they were in the minority.

Now, if the law were so changed that it would take 75 per cent. to put through a composition it would put those creditors who believe in obtaining all there is in an estate of that kind in a position to obtain it. If the composition is fair and right a debtor can get 75 per cent. of his creditors as easily as he can get 50 per cent.; if it is not fair and right then the amendment I have suggested will prevent such frauds as have been practised.

President New—You have heard the resolution. Does any one wish to discuss it further? It provides for a reference to the incoming Bankruptcy Law Committee.

Motion to adopt the resolution seconded by Mr. R. W. Higgins, of Duluth.

Mr. E. D. Flannery, New York—I would like to have an expression from our counsel, Mr. Remington, on the advisability of the change suggested before we take a vote on the matter.

Harold Remington, New York—*Mr. President, and Members of the National Association of Credit Men:*

As I was listening to the reading of this resolution I appreciated, as you must know I would appreciate, the trouble that Mr. Sawyer aimed by his resolution to overcome. I sympathize with the complaint. There are too many compositions in bankruptcy, representing jobbery, collusion and inadequate investigation, which yet go through. Business men are too prone to feel that they would rather enter a composition, whatever it is, than to fight it out. But I am seriously in doubt as to whether any resolution for the raising of the limit to 75 per cent. would be appropriate.

Before we adopt anything of that sort, would it not be better, I say, for us to urge, as we are urging, as a National Association, all the time, that creditors investigate, that creditors refuse to accept compositions until they have been investigated.

The bankruptcy law provides that an offer of composition shall not be made until after the bankrupt has filed in court his schedule of assets and liabilities and has been examined in open court. Today there are composition offers being made to business men entirely outside of the bankruptcy law, offers of composition made before the filing of the schedules, before the examination in court. The framers of the bankruptcy law tried to guard and tries to guard against this by providing that an offer of composition may be made after but not before the schedules are filed.

Now, what is really wanted is this examination; what is really wanted is that the business men should insist on the bankruptcy law being carried out, and that no composition, whether it be at 50 per cent., or even 75 per cent., be allowed unless there has first been a filing of schedules and a full examination. Then the mover of this resolution would be willing to say, I am very sure, that if that investigation, that filing of schedules, that full investigation were made, there would be no necessity of an amendment to the bankruptcy law in this particular.

Even with such a resolution, gentlemen, there would still be opportunity for collusion, there would still be the opportunity for holding up right settlements unless all the time you have that essential investigation that the bankruptcy law demands and prescribes. Remember, in accepting these out of court compositions that the bankruptcy law declares them to be illegal virtually; that nobody shall send you a letter or submit a proposition of settlement in bankruptcy until after the schedules have been filed and the bankrupt has been examined in open court. And yet there is not a single credit man here who does not receive several times a year offers of composition made by bankrupts before they have filed their schedules, before they have been examined. If one and all will only insist on the bankruptcy law provisions, that are so stern and strong, being carried out after and not before examination, then all this trouble will disappear; for after examination you will have satisfied yourselves whether the proposed composition is right or wrong.

I wish instead of adopting this resolution, that you would still pound away on the old doctrine, on the old slogan, "Let the business man insist upon the enforcement of the bankruptcy law as it stands today, with its provisions so carefully framed." Insist upon investigation, insist upon no offer of composition being made until the bankrupt has shown up in open court just what he has.

If that is done, then I think the mover of this resolution will be willing to say that all had been accomplished that the amendment proposed would accomplish. (Applause.)

Mr. W. C. Kennedy, Los Angeles—I move to amend the resolution to the effect that it be referred to the Bankruptcy Committee for their consideration, having in view the recommendations of our counsel, Mr. Remington.

Motion seconded.

President New—The question is to refer to the incoming Bankruptcy Law Committee Mr. Sawyer's resolution.

Mr. A. J. Gaehr, Cleveland—Would not a creditor have the right to

have a fraudulent composition set aside if fraud can be shown—does not the entire remedy lie in his hands?

Mr. Kennedy—The amendment is to refer Mr. Sawyer's resolution to the incoming Bankruptcy Law Committee.

President New—The amendment calls for a reference of this resolution to the incoming Bankruptcy Law Committee, for its consideration, same to be referred back to the next convention.

Carried with but one vote in the negative.

President New—The question before you in accord with the amendment adopted, is that instead of the resolution being accepted as first offered, it be referred to the incoming Bankruptcy Law Committee for action, taking into consideration the views of our counsel.

Unanimously carried and so referred.

President New—We will now listen to an address on "The Port Differential," by Hon. Charles S. Hamlin, of this city. His subject will interest not only the dwellers in coast cities, but those in the interior cities as well. Mr. Hamlin was Assistant Secretary of the Treasury under President Cleveland, and is one of the most highly regarded of the citizens of this commonwealth. (Applause.)

The Port Differential Question in Relation to Trade Extension

ADDRESS OF HON. CHARLES S. HAMLIN, BOSTON, MASS.

Mr. President, Ladies and Gentlemen:

When I was first asked to deliver a very short address on the subject of port differentials, it was before the recent decision of the Interstate Commerce Commission. I then prepared a glowing address, in which I tried to show what a marvelous extension of trade would be brought about by the decision,—assuming, of course that the decision would be in accordance with the arguments presented on behalf of the port of Boston. But unfortunately the other day the decision was handed down, and it was adverse to the contentions of the interests representing the port of Boston. So instead of a glowing eulogy as to the extension of trade, I am bound in the short time in which I am to address you, to speak Cassandra-like of the trouble that may come to us from the decision as handed down, adverse to the contentions of the port of Boston.

You understand, of course, that in the interior of the United States there is a vast trade, brought, for example, from Chicago for ocean carriage, to foreign ports, and similarly an enormous import trade from foreign ports destined for Chicago, and other interior ports of the United States, brought through the Atlantic seacoast ports.

Now, all new ports naturally want to get that traffic and for years they have competed one with another to secure the greatest amount of it. All the traffic from Chicago to St. Louis, covering that enormous territory, can go abroad through Boston, New York, Philadelphia, Baltimore or Newport News, or even by way of gulf ports. Now, these ports have tried in every way to get a share of the traffic; and it is that effort that has finally terminated in a decision of the Interstate Commerce Commission as to the rates the various ports charge for that traffic.

The claim recently made by the interests of the port of Boston was this: To be sure we are farther removed from the interior territories of

the United States (which we will call Chicago as a typical point), than are New York, Philadelphia or Baltimore, but on the other hand, we are much nearer Liverpool, taking that as a typical foreign port. We are some 188 miles further from Chicago than is Baltimore, but we are about 500 miles nearer Liverpool than is Baltimore; and on the total distance from Chicago to Liverpool, Boston is 380 miles shorter in distance than is, for example, the port of Baltimore. We declared therefore that we had a right to compete for this traffic, and we asked that the inland railroad rates from Chicago to Baltimore or from Chicago to Boston on traffic destined for Liverpool, should be equal between all the ports, giving each port the right to fight for that traffic, and if it built up its steamship and terminal facilities, it would thereby increase its business, which would be normally divided between all the ports, because of equal inland railroad rates.

Now, in 1877 the great railroads of the country made an agreement called the "Differential Agreement." They said that inasmuch as the southern ports have certain ocean disabilities which Boston and New York do not have, we are going to give them lower inland rates; and they determined that on the lowest grade of traffic, which we take as typical, the inland rates, for example to Baltimore, should be three cents lower than the inland rates to New York or Boston on traffic going through those ports to Liverpool.

In 1905 the Boston interests claimed the right to meet the lowest rate from Chicago through to Liverpool, and asked that they be allowed to lower their railroad rates so that they would be absolutely the same from Chicago to Boston as from Chicago to Philadelphia and Baltimore. That was the request that we made of the commission, and the commission in 1905 overruled that request. So today the railroad rates on the lowest grades of traffic are three cents per hundred pounds lower to Baltimore, two cents per hundred pounds lower to Philadelphia, than they are to Boston on traffic going through the ports to foreign ports, taking Liverpool as a typical instance.

We tried again. We said that we had a right at common law, we had a right under every statute of the United States, if the railroads wanted to do it, to lower railroad rates, so that they should be the same as the rates, for example, through Baltimore; and that is the request that the Interstate Commerce Commission has recently denied.

Now, of course, the question arises as to the grounds on which that decision was rendered; and I wish to bring out to you that the Interstate Commerce Commission has radically changed its views on this question in the last five years. In 1905 the commission said that every seaport had a right to compete for this interior traffic going through the seaports to Europe. Today they radically change that position and say that there is no such right. Five years ago they declared that the railroads had a right by means of fixing rates to divide the traffic equitably among all the ports. They found, as a matter of fact, against the port of Boston five years ago, because they said that Boston could not show that the existing rates unduly injured it. This year they declare that the railroads have no right to apportion that traffic, and that it must go on lines just as if it were domestic traffic, to the various ports of Boston, New York, Philadelphia and Baltimore.

Now, the underlying basis of that decision is the so-called distance or mileage basis. It practically says that if a seaport is nearer the interior territory, situated geographically, as Philadelphia and Baltimore

are compared with Boston, that that is a natural advantage which no railroad or a farther distant port can take away by competing with those ports on even rates.

It seems to me it is one of the most far-reaching decisions ever made; and while it naturally disturbs the port of Boston, I believe that you, coming from every port of the country, will find that this recognition of the mileage or distance basis, will be fraught with disaster to the various ports of the United States, because you must remember that the same principle now applied to this foreign traffic sooner or later must be applied to domestic traffic; and there is hardly a locality in the United States that would not be injured certainly as much as it would be benefited, by having a basis of railroad rates fixed on the so-called distance or mileage principle.

Now, that is the decision of the Interstate Commerce Commission; and of course it is a decision of the United States government. Many of those who feared giving the commission the absolute power to fix maximum rates, said that the commission would fix them on the distance basis, and that that would shut out New England almost from the United States; that it will shut out every territory that is now trying to proceed under the disadvantage of distance. But that decision has been made, and the people of the United States now must make up their minds to take it for better or for worse.

It looks bad for the port of Boston; but there is another aspect of this case, which, so far as Boston is concerned, may prove as much of a gain as it is now looked on as a disadvantage. For Boston certainly is marvelously favored in regard to its location on the ocean. Boston is some five hundred miles nearer Liverpool, for example, than Baltimore. That means that it takes the average freighter about forty-two hours less time to go from Boston to Liverpool than, for example, from Baltimore to Liverpool. The people of Boston will now look to their steamship lines, and say to them: "You must give us a corresponding advantage in ocean rates over our southern friends, to make up for the disadvantage in inland rates which they have secured as against us."

The whole question resolves itself into whether the steamship interests of Boston will protect the port of Boston. The way the differential works you will see at a glance. It cost three cents per hundred pounds less to take traffic from Chicago to Baltimore. Now, if the ocean rates were the same the through rate would be three cents per hundred pounds less when that traffic goes through Baltimore. But the southern steamship lines see their opportunity. The inland rate being three cents lower than the northern ports get, they quietly put up their ocean rates and thereby they get a direct subsidy which is paid for by all the shippers of the United States using these ports. If the southern steamship lines raised their ocean rates just three cents higher than the Boston rates, they would make the through rate equal, and then there would be no disadvantage, but naturally they do not raise it quite that much. They put up their rates two cents, making the through rate via the southern ports a cent less, which is enough, however, to throw traffic in that direction. Then on every hundred pounds they make their two-cents extra profit, which is really in the nature of a subsidy. That is the statement of the whole differential case. It is a recognized fact that these lower inland rates do operate as a subsidy to the steamships sailing from the southern ports. That condition could easily be met by our steamships were it not for the fact that many great lines serving Boston have also

lines from Philadelphia and Baltimore, and having the three ports and sometimes four, Boston, New York, Philadelphia and Baltimore, and having their steamship lines from all those ports, naturally when they see a chance to get a subsidy of two cents per hundred pounds for all freight they can deflect through Baltimore, they try to turn trade that way at the expense of Boston, and to a lesser degree at the expense of New York.

Now, if Boston had a system of absolutely independent steamship lines, serving no other port but Boston, the "Port Differential" case would be settled in a moment. There would be no case, because the Boston lines would absorb that differential. They would make the ocean rates three cents lower than the Baltimore rates. Then we would have equal through rates from Chicago by way of all the ports and traffic would move along northern lines.

It is, therefore, for the steamship interests of Boston to come to the rescue of the port of Boston. Whether they will do it or not is a question that we must find out. If they do not do it, if they prefer foreign traffic through southern ports, then I think we can safely predict that the people of Boston, with that fearless energy and industry which has always characterized them, will see to it that the capital is raised to support an absolutely independent line of foreign steamships from our port, serving our port alone; and then you may be sure that Boston will get its share of the import and export trade from and through interior differential territory (Applause); and I believe, if for any reason the necessary capital cannot be obtained otherwise, that the commonwealth of Massachusetts if appealed to will come to our assistance, helping the enterprise and assisting the merchants of Boston and Massachusetts to establish such a line.

I believe also that we have got to establish coastwise lines from the Gulf to Boston. Do you realize that from New Orleans to Liverpool via Boston is only ninety-two nautical miles further than the direct route from New Orleans to Liverpool? From Galveston to Liverpool via Boston is only one hundred and thirty-two miles further than the direct sailing route from Galveston to Liverpool. Now, if Boston enterprise were put on coastwise lines, we could bring that traffic to Boston; and then with the system of indeterminate steamship lines, you will find Boston again forging to the front and getting at least its equitable share of this great mass of import and export traffic.

Another burden to Boston from the differentials, and also to New York, is this: New York and Boston are obliged to charge on grain, for example, one and a half cents a hundred more than Baltimore. We have intense competition with Canada; great quantities of grain produced in the United States are being exported and imported through Canadian seaports. New York and Boston could compete for that. We could keep this business in United States channels were it not for the fact that we are obliged to charge one and a half cents a hundred pounds more than our railroads want for every hundred pounds of that produce that they bring from Chicago through New York or Boston, at a time when the traffic is heavy through the southern ports, and they have all the traffic they can handle. New York and Boston could compete with Canada and we could get an enormous tonnage of United States produce, which now must go through Canada, because the southern ports are filled and cannot take it, and we cannot take it because our rates are arbitrarily increased one and a half cents a hundred pounds. Our railroads have

joined with our people and have asked the Interstate Commerce Commission for the privilege of lowering rates but this recent decision denies us that privilege.

The whole matter in a nutshell is this: The effect of that decision, I earnestly believe, will be to restrain foreign trade between the United States and foreign countries, for the very reason that it arbitrarily deflects it through southern points and makes the northern ports simply ports of overflow. It will encourage even greater transportation of United States products through Canadian seaports. For Boston there may be the advantage that it certainly will turn us more intimately toward Canadian railroads running to the north of us, and then all over the United States and Canada; then whatever opinion one may have as to the expediency of our legislatures giving a charter to the Southern New England Railroad, we can say now after this decision, that this legislative act is bound to help Boston, because it will bring us into more intimate relations with the Canadian railroads. That intimacy will give us an ever increasing share of Canadian exports, which are entirely apart from this differential question, and where we can have equitable rates founded on commercial considerations. There is therefore great hope that Boston in connection with Canadian business may prosper as it has never prospered before. But we have got to increase our facilities; we have got to increase the ties that bind us to Canada if we would get Canada and its railroads to use our seaports, not only as winter ports, but as all the year ports; if we can do that it will go far to repair the damage which has been done us.

Now, the people of Boston have got to develop their terminal and steamship facilities. The question which arises is, can they use this defeat as a stepping stone to greater victories in the future. That remains to be seen; but as a citizen of Boston, as one who knows the history of this marvelous people and their marvelous energy and ability, I have no hesitation in predicting that this defeat will be but a stepping stone to victory; and I predict that in the next few years the development of the terminal and steamship facilities of the port of Boston will be looked on as a wonder of the age. (Great applause.)

President New—I have just learned that our registration up to this time is thirteen hundred and still going strong. (Great applause.)

We will now listen to the report of the Fire Insurance Committee by Mr. James A. Dick, chairman, El Paso, Texas.

Report of Fire Insurance Committee

To the Officers and Members of the National Association of Credit Men
GENTLEMEN:

Your committee is reporting for a department which perhaps more than any other has taken hold of the imagination of the members of this Association and given them a new view of the opportunity they have as monitors in commercial affairs, for the credit man realizes that he has more important functions than to protect the credits of his particular concern; he realizes that credit conditions can be strong only as society and the individuals who together form it, are kept as free as possible from disaster of whatever sort. This is a large conception of the credit grantor's sphere, but is the one that has come to the front

in the last few years and the work of your successive Fire Insurance Committees has done much to form this conception.

As in the past two years, the strictly fire insurance side of our work has taken a distinctly second place. The committee has been called upon frequently through the year to give members advice regarding the standing of fire insurance companies as lists have been sent it for examination and has urged members to forward such lists; otherwise the committee has interested itself almost strictly in fire prevention.



JAMES A. DICK
James A. Dick Co., El Paso, Texas
Chairman, Fire Insurance Committee

Toward proposals made by our local associations from time to time to fight for lower rates or for their adjustment, your committee has always expressed its approval, believing that out of discussions between fire insurance and local business interests will come a better knowledge of conditions, a better understanding of fire insurance problems, and possibly a demand for improvements looking to a reduction of hazards. A discussion of rates conducted on a basis of fairness and free from

rancor can have nothing but good results. Your committee indeed would be glad to see every local association in the country through a well equipped committee enter a demand for a hearing looking to reduced rates. A case in point is El Paso, the home of your committee's chairman. In that city a very high key rate prevailed. The question of its reduction was taken up with fire insurance interests who said, "Meet the requirements of the fire underwriters and the rate will fall." The matter was taken up with the mayor and common council, who promised to look into what could be done to provide better fire fighting apparatus and better water supply. Substantial results were obtained in these respects and it is expected that El Paso will soon have the lowest key rate in Texas.

During the past year, the value of our friendly relations with the National Fire Protection Association was again demonstrated. The able secretary of that association, Mr. Franklin H. Wentworth, early in the year made a circuit of some thirty local associations during much of the time, accompanied by Vice-president Chas. E. Meek. The associations covered in this circuit were those not visited by Mr. Wentworth during the year 1910, and included those in the far west and Pacific states and the states along the gulf.

Everywhere Mr. Wentworth created a deep impression. His visit generally was made the occasion of an open meeting to which members of local boards of trade or chambers of commerce and city officials were invited. Some of the associations took advantage of the enthusiasm aroused by the addresses of Messrs. Wentworth and Meek to start definite campaigns, looking to fire waste reduction, notably at Portland, Oregon, where Chairman Underwood of the local Fire Insurance Committee has announced that his committee proposes issuing a booklet on fire prevention to be placed in the hands of every teacher and pupil in the public schools of the state, on the theory that the proper way to combat the fire waste problem is to begin with the education of the child.

One of the most encouraging developments of the year is the setting apart in a large number of states, principally those in the middle west, of a "Fire Prevention Day," under proclamation issued by the governor calling for its proper observance in the public schools through instruction in common causes of fire, and by a general clearing up of rubbish and highly inflammable material in cellars, attics and yards. While the date observed is not uniform throughout the states which have proclaimed "Fire Prevention Day," that which has been selected more than any other is the anniversary of the day of the Chicago conflagration, October 9th. States which have established this day are Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Montana, Ohio, Oklahoma, Tennessee, Utah, and Wisconsin. Here is a holiday with a very serious purpose and one that our Association will do well to encourage the observance of and work for the adoption of in all states.

Your committee would consider this subject was treated incompletely unless mention were made of the Lexington association's fire prevention work. That association succeeded in making arrangements with the Kentucky Fire Prevention Association for a joint inspection and clearing up of the city, the work covering two successive days. Business men and citizens fell into the spirit of the movement enthusiastically and the results were all that could reasonably be expected.

Because so few legislatures met this year, little could be done to advance fire marshal legislation to which this Association is committed. In New Jersey strenuous efforts were made to secure the law, but without success. It is hoped that this year's session of the Georgia legislature will give favorable attention to fire marshal legislation, and it is urged that the demand for like legislation in all states be vigorously pushed next year.

The special recommendations for progressive work which your committee is going to urge are three in number:

First, That the fire departments of all our municipalities be used for inspection purposes.

Second, That local Fire Insurance Committees examine into ordinances covering the storing and handling of combustibles and highly inflammable oils with a view to greater public safety.

Third, That the Association prepare and circularize leaflets calling attention to the fact that careless handling of commodities and lax methods of "housekeeping are the causes of the majority of our fires."

As supplementary suggestions, we are going to urge that the Fire Insurance Committees of our larger cities work for the installation of high-pressure systems as the best means of drowning out incipient conflagrations, and that the incoming Committee on Fire Insurance of the National Association get in touch with the Committee on Ordinances of the National Fire Protection Association, which for some time has been working on drafts of model ordinances looking to greater safety from common hazards in our municipalities.

We are gratified to report that there has been a large distribution this year of the admirable leaflets published by the Association some three years ago under the title, "Burning Subjects." Under a special arrangement, the Washington Salvage and Survey Association distributed 25,000 sets of "Burning Subjects," or 150,000 leaflets and upon recommendation of the last convention of the Wholesale Drug-gists' Association several members of that body have been distributing during the past year several thousand copies of these leaflets. Your committee wishes that our own membership generally would help more largely in the distribution of this great educational material.

In conclusion, your committee offers the following resolutions:

I

"Resolved, That the National Association of Credit Men recognizes that the business men of the country, as represented in this national organization, have it in their power to do more than any other class of citizenship to give the American people a new conception of their responsibilities toward the country's impoverishing fire waste, and in convention assembled promises to enlist its entire membership so far as possible in some feature of the Association's fire protection program.

II

"Resolved, That the Association highly commends the setting apart of at least one day a year in the various states under the designation "Fire Prevention Day," believing that the fact that the governments of our states are officially recognizing that carelessness

is a main cause of fires, will finally have important results; and be it further

"Resolved, That as members of the National Association of Credit Men we shall encourage the general observance of 'Fire Prevention Day' in those states which have proclaimed it, and shall demand its extension into those states which have as yet not proclaimed or adopted it.

III

"Resolved, That the incoming Committee on Fire Insurance urge upon all members, and particularly local associations, the necessity of every municipality adopting proper ordinances with reference to combustibles and highly inflammable oils; again the importance of making arrangements for the use of fire departments for purposes of inspection as well as of fire fighting; again the value of distributing, as widely as possible literature which shall bring to every citizen, from the child at school up, his responsibility to rid this country of the stigma of being the most extravagant and prodigal country of the world, as represented by our stupendous fire losses.

IV

"Resolved, That the incoming Fire Insurance Committee, with the approach of another legislative year, take up with renewed vigor the enactment of fire marshal measures modeled after those adopted in Ohio, New York and Pennsylvania.

V

"Resolved, That this Association again expresses its deep appreciation of the advantage of its close relationship with the National Fire Protection Association, and is particularly appreciative of the service rendered our various local associations and the communities where they are located, by Franklin H. Wentworth, who must be recognized as the greatest leader in our country in awakening the American people to the problems they are bringing upon themselves through excessive fire losses.

Respectfully submitted,

A. H. BULLARD,
JOHN DUFF,
CHAS. HOLDEN,
AARON WOLFSON,
JAMES A. DICK, *Chairman.*

Mr. Dick—I move the acceptance of the report and the adoption of the resolutions.

Motion seconded.

President New—The report is before you. Do you wish to adopt the resolutions as read in their entirety?

Mr. R. J. Morawetz, Milwaukee—I note an error in regard to the date set apart for the fire day. I wish that could be corrected to May 3d for Wisconsin.

President New—That will be corrected.

Motion unanimously carried.

Mr. W. C. Kennedy, Los Angeles—To show the effect of the visit

of Mr. Meek and Mr. Wentworth, I want to say that immediately following thereon the governor appointed a "Fire Prevention Day" in California, same to fall on the anniversary of the San Francisco conflagration, April 18th. So the National Association and the representative of the National Fire Protection Association, have wielded their influence on the Pacific coast just as they did on the Atlantic. (Great applause.)

Mr. C. R. Miller, Portland—I thank the committee for recognizing our little association in the person of Mr. Underwood. After the visit of Mr. Wentworth and Mr. Meek, "Fire Prevention Day" and its importance was thoroughly recognized. We have secured the co-operation of the school board and school superintendent, and they will instruct the pupils once a week in respect to guarding against fire losses.

Mr. J. D. Davis, Dallas—Mr. Wentworth and Mr. Meek honored us with a call on their tour; and I wish to say that their visit did us a great deal of good. While we had been awakened before to the necessity of checking the great fire waste, still their visit brought us to action. An epidemic of spinal meningitis brought us further to the recognition of the necessity of cleaning up. At a recent election in our city we voted a tax of ten cents on one hundred dollars of our entire assessed value for the purpose of cleaning up, and we now have our city divided into districts, with a supervisor and sufficient wagons and men to clean the alleys and clean the residence districts. In that way we feel that we are doing much for fire prevention.

I also wish to state that our women club members have taken up the fire prevention matter and are discussing it in their clubs. They are issuing literature to all Dallas families; and they also have gone before our school board and are endeavoring now to have a text book on fire prevention adopted for study in the regular curriculum of our public schools. They also contemplate having a lecture once a month at each public school on the necessity of fire prevention. With these combined efforts we hope that we shall reduce our fire waste greatly and in that way lower our fire insurance rates.

Mr. Hugh R. Jones, Utica—While Mr. Wentworth and Mr. Meek both have visited our fair city, nevertheless before they came we were alive to the importance of fire prevention; now I am pleased to announce that Utica has set aside a day for a clean-up, and we propose to keep clean at all times. If any of you members ever visit us and find any debris or inflammable material in any street or alley, please report it to us and we will be glad.

Mr. Clarence Braden, Louisville—I want to mention the work we did the latter part of last year for bettering fire conditions. With the consent of the National Association, we distributed 25,000 copies of their fire prevention literature, "Burning Subjects," in southern Indiana and Kentucky. We used the merchants' & manufacturers' mailing list, and reached almost everybody. It was somewhat of an advertisement for the insurance agents in Louisville, as we received a few requests for the names of reliable insurance agents in Louisville from our country cousins. That was done also without expense to us, the Western Union of Fire Underwriters bearing the expense, which I believe was \$622.50. We feel that this was a big work along right lines.

Mr. S. D. Buck, Baltimore—Whilst we have no "Fire Prevention Day" set apart by the state, we have such day for Baltimore, and a tax of ten cents per hundred dollars is imposed where necessary to secure cleanliness.

Mr. Arthur Parsons, Salt Lake City—A word of consolation for Mr. Meek and Mr. Wentworth, who visited our city. On the evening they addressed our association there were political fireworks going off on every hand. Mr. Bryan had delivered an address that evening, detracting from the attendance we otherwise would have had at our meeting. But the governor has appointed a "Fire Prevention Day," the schools have been worked up and take active part in demonstrating on that day. We are also introducing the Association's literature wherever we can and have made it a part of the public library.

Mr. Aaron Wolfson, Indianapolis—We want our friend from Louisville to leave southern Indiana alone. Indianapolis is capable of taking care of the entire commonwealth. The merchants and manufacturers of Indianapolis have established a bureau through voluntary subscription, which will reduce fire loss very largely. From the day Mr. Wentworth and Mr. Meek were with us our loss has been reduced. I do not know whether they came to us as seers, but something happened from the moment of their arrival. I wish to report to this convention that our city is alert on this question; that our association is doing everything in its power to better the insurance laws; that the merchants and manufacturers are doing active work; and we have raised a large fund, over \$50,000, to promote this work of fire prevention.

Mr. B. F. Ezekiel, Birmingham—As this seems to be an experience session, I want to tell of what followed the visit of Mr. Wentworth and Mr. Meek to Birmingham, Alabama. Our fire chief took it upon himself to inaugurate a campaign of education. The merchants in Birmingham are visited regularly by one of the fire force, who has with him a printed sheet upon which he puts down the result of his examination of every business house. Each building is subdivided into floors and every concern occupying a building of say eight stories receives each week a report of the condition in which the examiner found each floor in the building. This is an individual result that forces itself upon our fire chiefs. Here is but one of the good results that followed the visit of Mr. Wentworth and Mr. Meek to Birmingham, Alabama. There were others, such as the distribution of literature and other things, that were recommended by them when they came there. But the action of our fire chief was somewhat unique and I think it of importance to bring before the convention.

Mr. Ira D. Kingsbury, Rochester—Rochester, I believe, started this ball rolling. I think Mr. Wentworth made his first address on fire prevention at a banquet in Rochester and we have had the fire chief's inspection of factories and manufacturing plants for the last five years.

Mr. A. H. Dobson, Utica—It is clear to me that the importance of this great subject is beginning to sink into the intelligence of the business men of the country and is beginning to have results. While the clean-up day in Utica was not established directly as a result of Mr. Wentworth's visit, we did have him with us and listened to an interesting talk; and I think the results that are beginning to show are quite largely due to the work of Mr. Wentworth and Mr. Meek. If it is not out of order I would like to move a vote of thanks to these two gentlemen for the time and effort they have spent in this magnificent work. Motion seconded.

Mr. K. R. Taylor, Cleveland—We are glad that Mr. Wentworth and Mr. Meek visited us. Among those in attendance at our meeting was the fire chief. Mr. Wentworth had us all stirred up with enthusiasm

when suddenly the fire bell rang. I wish you could have seen Chief Wallace get out and into his buggy with Mr. Wentworth not far behind. This visit to Cleveland was productive of much good.

President New—The motion is to extend thanks to Mr. Meek and to Mr. Wentworth for the work they have done in fire prevention lines in the past year.

Unanimously carried.

Mr. Adolph Landauer, Milwaukee—You have heard from almost every city in the Union, but one point has not been mentioned. While we appreciated the visit of Mr. Meek and Mr. Wentworth, yet our city has been clean all the time; we have had fire prevention day in our state and city for some time; we have had this examination by the fire marshal; and I think Milwaukee will retain its position as a bright spot in America. (Great applause.)

Mr. J. T. Young, Salt Lake City—We appreciate what has been done by Mr. Meek and Mr. Wentworth and are grateful for it; but I think the subject has been thoroughly covered and I therefore move that we proceed with the next order of business.

President New—This organization sits here not only to discuss and resolve but to carry into effect these resolutions. If there is nothing further we will proceed with the further business of the convention.

Mr. Henry W. Eaton, of the Liverpool & London & Globe Insurance Company of New York, will address you on the subject of "Obligations of the Fire Insurance Companies to the Insuring Public."

Obligations of the Fire Insurance Companies to the Insuring Public

ADDRESS BY HENRY W. EATON, NEW YORK, N. Y.

Mr. President and Gentlemen of the National Association of Credit Men:

I am very glad to be here this morning, apart from the question of making an address, in order that I might hear the remarks that have come from members from all over the country as a result of the report of the Committee on Fire Insurance.

I did not know the extent to which this movement for which you are so largely responsible had been progressing in the direction of improved conditions against fire. Of course the fire insurance company is, as must be the case, interested vitally in the question of fire protection, but after all, as the fire underwriter is the mere child of experience and the rates are made up of the loss results with the attendant expenses, it is the public in the end that is to be vitally benefited by the conditions of cleanliness which have been referred to here in many directions.

In the brief address I am about to make I do not purpose afflicting you with technical terms used in fire insurance, or quoting except in the barest possible way, figures or tables. Nor do I intend to refer to the particulars entering into the education of the fire underwriter, an education which in fact is never completed, owing to the ever varying conditions with which his occupation is surrounded. The fire underwriter is, as has often been said, the creature of experience, and the foundation of the structure of fire underwriting is built up on his observation of loss applying to a very large number of hazards, each in turn capable of almost infinite subdivision. Owing to changes in processes in these hazards, both in handling and in use of material, this very foundation almost continually

is subject to changes, great or small. There are consequently many perplexities in the line of the fire underwriter's work, and the subject cannot be dismissed so easily as was done by a young man who, as the story goes, desired to study fire insurance with a view to following it as a profession. He stated, when leaving an insurance office after an experience of one month, that the fire insurance business was not what it was cracked up to be, and he was sorry that he had learned it.

My desire first is to endeavor to direct your attention to a feature of fire insurance which has a concern for you, and which in extent is certainly not less than is experienced by the interests I am asked to represent today. You are interested in credit, and in fire insurance as one of its foundations, and must therefore be concerned in encouraging anything designed to strengthen those foundations. This can be done by your support of wholesome methods in fire insurance whereby, as one result, the solidity of the indemnity we offer to the insuring public can be furthered. The first step in this encouragement will be an abiding belief that the fire insurance companies are conscientiously concerned in satisfying every obligation to their clients, real or implied. We need this in order to counteract, at any rate in some degree, the almost continual discouragement we experience at the hands of the ignorant and prejudiced.

I will attempt to show you in what manner our obligations to the insuring public, as we understand them, have been held steadily in view by fire insurance companies, and especially in the direction of adoption and maintenance of just standards of rating; in the encouragement offered for improvement of hazards by large bounties in rate reduction; by the consequent lessening of conflagration possibilities designed for the mutual protection of the insurer and the insured, and by an accumulation of reserves as opportunity has offered so as to fortify the promise of indemnity made in the policies of insurance.

When in the year 1666 the great fire of London occurred, it found property owners unprepared with any system of indemnity for loss by fire, and the desolation was, in consequence, extreme. The fire continued for five days, and thirteen thousand two hundred houses were totally destroyed, the area affected being 430 acres. We can nowhere find that the citizens possessed or recovered any insurance. In the case of some of the trade guilds, members, when suffering loss by ordinary fires, may possibly have been assisted in a limited way by temporary credits for replacement of stocks, but, in so great a calamity as that presented by the fire of London, it would be unreasonable to suppose that the guilds, however sympathetic, possessed the ability to respond. Indeed, no mention is made by either Pepys or Evelyn of any help by insurance monies. The former says: "I met with many people undone, and more that have extraordinary great losses." Evelyn says that he saw "many without a rag or any necessary utensils who from delicateness, riches and easy accommodations in stately and well furnished houses were now reduced to extremest misery and poverty." Again he reports that he saw "200,000 people of all ranks and degrees dispersed and lying along by their heaps of what they could save from the fire, deplored their loss."

We appear, then, to be justified in the conclusion that, until after the great fire of London, insurance, as known to us, had no existence.

We are led inevitably to the conclusion that at the period under review merchants and tradesmen must have enjoyed a very limited credit; for the bankers of the day would, in the absence of protection against loss

by fire to merchandise, fail to perceive that a reliable security for loans was furnished. Mercantile operations, therefore, must have been carried on almost exclusively by men of wealth, and must necessarily have been pursued in a spirit of extreme caution. We can readily imagine that the merchant would be careful to see that his stocks of merchandise would be so distributed in warehouses as to avoid the probability of a total loss by one fire, with its accompaniment of ruin to him, and we can safely assume that the retailer, who in those days lived invariably over his store, would, in precautions against fire, guard his property with an unceasing vigilance almost unknown in these days when insurance companies are relied upon to satisfy claims for losses, whether attributable to carelessness or to causes easily preventable, and within the knowledge of the assured.

It was not until 1680, or fourteen years after the fire, that the promoters of a fire company pushed an application with such resolution as to be attended with success. It may excite surprise at first, that so long a period was allowed to elapse after so thorough a demonstration of the need of fire insurance as was furnished by the great conflagration; but on reflection we see that the city was prostrated. Prior to the fire, London had suffered disastrously from the plague, and, by the fire, four-fifths of the city was swept away including the portion devoted to the mercantile interest.

To the year 1680 then, may be assigned the birth of fire insurance. It would be out of place in this address to do more than refer in the briefest possible way to the early history of fire insurance in England. The only excuse is furnished in an attempt to show you how credit was gradually established on the foundation of protection to property by fire insurance. The stock companies later formed extended their operations, in process of time, to other countries, at first in a small way, by following up exports, and protecting the interests of British merchants in foreign ports, and later, growing in favor with native populations, were welcomed in very many countries of the world.

At the close of the last century, twenty-two companies in all had been formed in this country.

In the early days of insurance in England, no definite plan for the adjustment of rates appeared to exist. In the case of "brick houses" in London, it was proposed to charge $1/40$ of 1 per cent. in one instance, and in another $10/40$ of 1 per cent., but no description of brick houses has been handed down to us, so that we are left in doubt as to whether a uniform rate applied to warehouses, stores and habitations. So that the earliest fire companies, as indeed was the case with the first life companies, appear to have gone to work on no reliable data. We can imagine that gradually as the business extended, manufacturing risks and specially hazardous risks came to be separated and cautiously insured but even then at rates which could not actually measure the hazard. The early fire companies may, indeed, in the first instance, have established a uniform rate for all classes of manufacturing risks, trusting in time to gather, from their experience of losses, such information as would lead them to discriminate between the different hazards. Gradually different rates, designed to provide for the loss, for the expense of conducting the business, and for a profit, were placed on trial.

The fire hazard cannot in this day be really ascertained, nor can elaborate fire statistics and recorded experience of various offices enable us accurately to adjust rates; moreover, in the case of manufacturing

risks especially, the very change in processes from year to year would render comparatively useless, statistics of any but recent periods. The losses affecting particular hazards, due to fires beginning in hazards of a different class, furnishes a difficulty in loss classification not yet adequately dealt with by the fire underwriter. And this difficulty is intensified—as you can well understand—in the case of conflagrations, which are utterly disturbing to loss classifications. Could we disregard calamities of the kind as something exceptional, our task would be made



W. A. PETZOLD
J. L. Hudson Co., Detroit, Mich.
Director

easier, but we know from painful object lessons that every rate must be loaded with some fraction designed to provide accumulations in favorable years, and so gradually form a safety fund for emergencies of the kind. Were the companies merely to build up a rate designed to cover the losses to be expected in ordinary years, in addition to justifiable expenses, and a modest profit, then in the hour of danger, when the insured property owner called for a protection so plainly promised in his policy of insurance, we would surely be denounced—and justly—

traitors to our trust. And yet, such an addition to the rate as I have indicated as so needful for the protection of the insured is, and has for years been, denounced as an act of extortion to be penalized in various ways by acts of the legislatures rendering less possible, or impossible, organization of companies for this and other purposes which it can be demonstrated has benefited, and is benefiting, the interests of the insuring public.

In the earlier days of fire insurance the underwriter was prepared with rates for risks as they stood, without suggestion to the assured of improvements by which such rates could be reduced. As time proceeded, the fire underwriter was no longer willing to take each risk as he found it, and to fix a rate deemed to be adequate. He was concerned to suggest to the property owner methods by which, in the case of buildings about to be erected, changes in the plans could be made in character of building materials, in separation of processes, in use of fire protection devices, in protection of window and other openings, in limitation of areas, and in isolation of buildings, whereby the risk of fire occurring could be diminished and chances of extension reduced. And, in like manner, the underwriter became willing to investigate—often at considerable expense—the character and lay-out of buildings already in existence, and to show in what manner alterations could be made to diminish the fire hazard. In the case of every improvement so made, the underwriter was willing, and indeed anxious, to make allowances in rate designed to encourage the changes recommended. In the year 1890, in order to satisfy the particular desires of a number of manufacturers who preferred the stock to the mutual principal of insurance, the Factory Insurance Association was formed, and has carried on, with high marks of appreciation on the part of its customers, a system of insurance relating to standard risks of high character, associated with a periodical and efficient inspection, whereby rates have been brought down to a very low level of cost. And in this, as well as in all other methods of rating adopted in recent years, evidence is surely found, not of a disposition on the part of the insurance companies to afflict the insuring public with extravagant and unjustifiable rates, but of an earnest disposition to save policy-holders all that is possible with the aid of trained service in matters of fire prevention and extinguishment.

To accomplish such results, and to do our full duty to the insuring public, co-operation on the part of the companies is desirable and, indeed, indispensable. We will sum up the elements of co-operation:

1. The establishment and maintenance of systems of inspection against dangerous conditions, such as the inspection of premises by experts for the purpose of discovery and correction of ill-constructed flues, bad systems of electrical and gas installation, use of improper receptacles for ashes, accumulation of rubbish, and the dangerous storage of oils and combustibles.

2. The proper maintenance of fire protection devices of various kinds, such as automatic sprinklers, fire alarm telegraphs and hand fire extinguishers, and the continued efficiency of fire doors and shutters.

3. The elaborate and systematic examination of buildings and processes carried on therein, with particulars of adjoining hazards, to the end that information may be obtained by which one risk can be measured with another and differences be justified.

4. The establishment of some system by which rates once made may be varied from time to time by reason of changes in hazard, and that such variations may be uniform and be justified, and that, concession having been made in rates as the price of heavy outlay for extinguishing appliances and other expenditures on the part of the insured, the latter may have reasonable guarantees that such concessions may be continued for at least the full term to be expected by the nature of such expenditure.

5. The premium to be paid by the assured being based on the loss cost and a reasonable charge for expenses, that co-operation may be secured by which such expenses, including rates of brokerage and commission, may be kept within proper bounds.

6. That changes in the organization and equipment of fire departments may be recommended, and, as far as possible, enforced; that improved water supplies and methods of distribution may be encouraged; that better building laws may be brought about, including prohibition of shingle roofs in new construction, and provisions against maintenance where existing; that municipal regulations may be made or improved regarding the storage of combustibles; that merchandise in public storage warehouses may be kept separated, such as fibre from non-fibre, and generally that municipal authorities be stimulated to make changes designed to reduce the fire waste and risk of conflagration.

7. That organized systems of protection to property from damage at fires may be established and maintained, so that such property may be either removed or protected from damage by water.

8. That the passage of fire marshal laws may be encouraged whereby states may make critical examination as to the origin of every fire.

9. That a fund may be maintained for the conviction and incarceration of incendiaries.

Every one of the subjects of action by underwriters above set forth is really designed in the interests of the public to lessen the fire waste and render the cost of fire insurance cheaper to the insuring public. You have been already told that the loss cost furnishes the basis for the charges made for fire insurance, and if the fire underwriter were content to take each risk as he finds it, and be unconcerned as to elements entering into the fire hazard, then surely rates for fire insurance would soar so high as to be a matter of great national concern. If in what has been done you will believe that the fire underwriter has gone to considerable lengths in an endeavor to reduce the fire waste, then his work will be worthy of your commendation.

Briefly stated, we have, in our relations with the public, accomplished, as we believe, the following in the interest and for the protection of the public.

The maintenance of just standards of rating.

The granting of bounties in the shape of rate reductions for improvements in hazards.

The reduction of fire waste and especially the conflagration hazard in various ways.

The accumulation of resources to strengthen the indemnity we offer.

As to whether just standards of rating have been adopted and

maintained, we allege that, to the best of our ability, this has been done. If in this judgment we are wrong, then the public is at fault in not apprising us of its views, which the underwriters are ever ready to receive and welcome. In looking, however, for public evidences of fault, we would naturally turn to the reports of the recent investigation by the legislative commission of the state of New York, during which complaints of aggrieved policy-holders were invited. The result did not justify any conclusion under this head unfavorable to insurance companies, both as to the number and importance of complaints presented. In my own case I can say that for many years past no complaints have come to my notice in the case of the rather large operations conducted under my general supervision, save in instances involving differences in rates affecting complainants and competitors maintaining like trading establishments. These were immediately withdrawn on my being able to point out the particulars of the rating of the two establishments, by which it appeared that, if such complainants would conduct improvements of a kind made by their competitors they could obtain equal or even lower rates. It is to be remarked, in this connection, that only by co-operation can systems of rating be devised and maintained whereby unjust discriminations can be avoided.

If we look to the results attending the operations of the fire insurance companies over a period of years for evidence that, in the fixing of rates, injustice to the insured has been perpetrated, we fail to find anything to warrant in any degree such a condition, for in the ten years ending the last day of December, 1911, the fire insurance companies lost in the aggregate a sum far in excess of that furnished by the premiums collected from the assured. During the past year the underwriting profits to fire insurance companies in the aggregate amounted to 66-100 of 1 per cent. on the premiums. When the need is considered of substantial accumulations to provide for the possibilities of serious loss attaching to this very hazardous business, this result is not only extremely poor, but highly insufficient.

As to the granting of bounties in the shape of rate reductions for improvements in hazard, the following facts are presented for the justification of the fire underwriter:

Whilst it would be difficult to ascertain the exact extent to which, in the aggregate, voluntary abatements in premium throughout the United States have been made for improvements in hazards conducted under our advice, we have a lively impression of its great extent, due to continued observation of the vast number of individual applications submitted for our consideration. In some cities—as in New York—we have at hand useful information, and in some detail, bearing on this point, and in a statement issued by the New York Fire Insurance Exchange towards the close of 1910, it was announced that not less than sixteen thousand improvements on an average had been influenced yearly by abatements in premium made therefor. In regard to concession in rates often affecting a wide number of hazards, involved in a general reduction of rates in a given area for improved fire extinguishing facilities of cities, action in New York may be again referred to, for in the same line reductions of rates were made in January, 1912, in addition to action taken in 1908, in the three districts in which the high pressure service had been installed. In the case of the first of these general reductions the concessions averaged about 10 per cent of the annual premium of the highest rated section of the city, representing the relin-

quishment in premiums by underwriters of an immense sum in the aggregate, and it is to be remembered that the installation of this high pressure system was largely influenced by the persistent recommendation of the fire insurance companies to the municipality.

As an impressive reference in this connection dealing with general results, it seems desirable to point out the changes in which voluntary rate reduction afforded by co-operation has played a large part during the last few years:

In 1906 the average rate on sums assured was	1.1469%
In 1911 this had been reduced to	1.0594%
Leaving a difference of0875%

This reduction as a percentage gradually applied over the period, amounts to about $7\frac{1}{2}$ per cent. If the rate applying to the year 1906 were applied to the sums assured for the year 1911 the companies would, in the aggregate, have received not less than \$35,000,000 more in premiums last year. A large portion of this represents what the companies have voluntarily relinquished in a desire to assist in relieving the burdens of the insuring public.

As to the reduction of the fire waste, and especially as to the conflagration hazard, I highly commend to your attention the very valuable address delivered at the last annual meeting of the National Board of Fire Underwriters by its president, Mr. Babb, who is happily present on this occasion, and, I understand, will speak to you.

The reduction of the fire waste has in part been encouraged by our system of rewards to policy-holders by premium abatement for improvement of individual hazards, but the lessened tendency to conflagration has come, not alone from this, but from a direct expenditure on the part of the insurance companies by the employment of a large force of men in inspection work in the many ways already described to you. The insurance companies, therefore, have surrendered some of the premium to the public as the price of certain improvements, and, of the premium which has remained, they have devoted a certain portion to particular purposes of protection against fire of a kind which the individual policy-holder could not well influence.

Thus throughout the country fire departments have been methodically and periodically inspected, with exhaustive tests of apparatus and water supplies upon which they were dependent, with their distribution. Such inspections are conducted by persons carefully selected and competent to advise as to needed changes. The reports when made are printed, with particulars in much detail and recommendations for change. These are sent to the municipal authorities interested, and independent efforts made by the insurance companies, through the public press and otherwise, to influence the improvements desired. For this service alone the insurance companies spend, through the National Board of Fire Underwriters, about \$68,000 per annum.

In dismissing this subject of fire waste, you will the better understand the need for extraordinary work in prevention when it is mentioned that such waste in this country amounts to the startling figure of \$2.39 per capita, being greatly in excess, according to the best estimates obtainable, of that of any of the countries of Europe. A superficial view is that the insurance companies pay for the restoration of this terrible waste in the United States, but this, as you know, is erroneous, the insurance companies being collectors and distributors merely of the

monies of the insuring public. Sometimes, it is true that these collections fall short of the outgo in particular years, due to conflagrations or unexpected causes, but the companies always look to the public in the end for restoration. This fire waste is now receiving serious recognition generally throughout the country with anticipated good results, and the desired change will be welcomed by no interest in a greater degree than by the fire insurance companies. And they are more than willing to recognize such change by concessions in rates.

As to the accumulation of resources to strengthen the indemnity we offer:

At the beginning of the year 1871, and therefore a few months prior to the happening of the great Chicago fire, the combined resources (capital and surplus) of the six fire insurance companies then doing business in the United States, and having the largest incomes, were \$12,532,217, or an average of \$2,088,703. The experience of this large loss, and especially that in the conflagration at Boston in the following year, showed conservatively managed companies the need of larger resources and the desirability of restricting dividends during the process of upbuilding. The apparent necessity for the change had, moreover, support in the report of the insurance superintendent of New York state for the year 1872, in which he said: "This sweeping conflagration (Chicago) should, and it is hoped will, act as a powerful instrument towards inducing the managers of companies to provide for the accumulation of large surpluses of available assets beyond capital." And the aims of the conservative companies were never apparently afterwards ill-directed, for we find a steady increase in the amounts withheld from dividends for reserve purposes to the end that they might be found ready for emergencies of the same kind in the future. The conflagrations of Baltimore and San Francisco accordingly found companies generally well prepared, and the distressed insurers at those points were left in no doubt that, notwithstanding the immense loss with which the companies were faced, and especially at the city last named, no loss in recovery was to be expected, save in cases where the policies of insurance held had not been selected with reasonable care. It is interesting to repeat that the aggregate capital and surplus of six companies having the largest resources in the United States at the time of the Chicago fire was \$12,532,217, whilst at the close of the last year the aggregate on a like basis was over \$71,000,000.

A considération of the obligations of the fire insurance companies to the insuring public to which this address is directed could not be appropriately closed without a reference, however brief, to the question of loss settlements. If I devote space to the question of the companies' obligation to the public in the matter of rate making in a much greater degree than in the matter of loss settlements, it is for the reason that the companies have been repeatedly denounced in certain quarters for their alleged failure of duty in the case first named, whilst in the latter case they have, on the whole, been fairly treated. It is, of course, sometimes true that the insurance companies fail to give satisfaction to clients in cases of individual loss. To give satisfaction in all cases would be impossible in this or in any other line of work that could be mentioned involving the performance of contract, verbal or under instrument. Especially would it be impossible always to avoid disputes in matters of value of property regarding which opinions widely differ, but in my estimate of the character of the large number of gentlemen

guiding the operations of the fire companies I am satisfied that the desire to give satisfaction is ever present.

And if we turn to the greatest tests in recent times of the ability, as well as the disposition, of underwriters to act with liberality and promptitude when faced with a conflagration for which histories of all countries furnish no parallel, whether in regard to area involved or destruction of values, it is with no sense of shame that the fire underwriters can point to the amazing catastrophe of the San Francisco fire as illustrative of their particular desire to fulfil to the utmost the promises made in their policies of insurance and of their ability in general to do so. (Applause.)

And now I have placed before you some of the difficulties with which the work of the fire underwriter is naturally attended, and, as well, the influence of such work in a progressive degree on the improvement in conditions of general benefit to the insured, and to interests such as those you represent. This work of improvement is far from finished, and the underwriter will not be discouraged at past difficulties. He will look for success in the greater disposition on the part of the insuring public and various authorities towards co-operation in many directions. And distinct encouragement to his labors will be afforded by a study of insurance history as illustrating in the development of trade, commerce and the arts, the protecting and fostering influence of fire insurance. (Great applause.)

President New—As you all know, all standard American fire insurance companies doing business in this country are organized under the name of the National Board of Fire Underwriters. We are honored by having with us today the president of the National Board of Fire Underwriters to extend to us a greeting from that board, and I am glad to introduce Mr. George W. Babb of New York.

Greetings from the National Board of Fire Underwriters

BY MR. GEORGE W. BABB, OF NEW YORK.

Mr. President and Gentlemen of the National Association of Credit Men:

I want to say that this has been the best fire prevention meeting that I have ever attended (Applause). I would joyfully have sat all day and listened to the testimony and the experiences which we have had. I feel almost rich, because I succeeded in getting here without paying any admission fee, for I would willingly pay quite an admission fee any day to hear such testimony as I have heard this morning.

I was particularly pleased at the testimony given by a friend from Dallas, Texas, because I have been obliged as the manager of a company to stop insuring dwelling houses in that city. I was forced to stop if I was to save a good share of the assets of my company. Now, I would commend to the attention of our friends from Dallas the condition of the flues in Texas. There are more flues built of bricks laid singly and on edge in Texas than in any other state in the United States; and I wish that the credit men of Texas would consider and remedy that great evil, that great cause of fire loss in their state, these miserable flues made of bricks laid singly and on edge.

I was also interested in the report from Birmingham. At the mention of Birmingham, every fire underwriter is given heart failure; he wants to grab his hat and bolt. The fire loss in Birmingham (for which

the credit men are not responsible) has been extreme; consequently a report that Birmingham is alive to this situation is specially interesting and specially valuable.

Now, gentlemen, this question is yours more than ours,—it is your question. We can assess you the premium in accordance with experience, except in the case of great conflagrations. You know what the general public does not know, but which they ought to know and must be taught, and it lies with you largely to teach them, that the economic truth is that every dollar's worth of property destroyed by fire makes the world one dollar poorer, and it matters not whether that property be insured or not. If we could teach the people this economic truth and make them understand it, it would have more to do with reducing the fire waste in this country, which is a national scandal, than anything else, for nearly all the things which are preventable that produce this scandalous fire waste, are due to the lack of the understanding of the economic truth I have cited.

It is with special pleasure that I tender you the greetings of the National Board of Fire Underwriters. You represent the mercantile spirit and force of the country and working on your own lines are doing valuable conservation work. All kinds of conservation work are interwoven and mutually helpful and there are strictly practical reasons why all so engaged should pull together.

I have been told that the National Association of Credit Men represents a membership of sixteen thousand business concerns. I would not undertake to estimate the hundreds of millions of capital nor the billions of sales and business which you represent. The National Board of Fire Underwriters has a membership of a hundred and twenty-two stock fire insurance companies and embraces nearly all the leading stock companies. Their names are familiar to you all and, as you well know, they constitute one of the most essential bulwarks of credit.

The last report of the superintendent of insurance of the state of New York, recently issued, shows that the companies connected with the National Board of Fire Underwriters had a total

Capital of	\$80,596,736.00
Net Surplus of	163,586,510.00
Admitted Assets of	486,647,721.00

That in 1911 their total

Net premiums written were	\$229,044,874.00
Total losses paid	124,349,346.00

The National Board of Fire Underwriters was organized in 1866 and has been in continuous operation ever since. Its objects and purposes are stated in its constitution to be as follows:

"PURPOSES.

"1st. To promote harmony, correct practices, and the principles of sound underwriting; to devise and give effect to measures for the protection of the common interests, and the promotion of such laws and regulations as will secure stability and solidity to capital employed in the business of fire insurance, and protect it against oppressive, unjust, and discriminative legislation.

"2d. To repress incendiarism and arson by combining in suitable measures for the apprehension, conviction, and punishment of criminals guilty of that crime.

"3d. To gather such statistics and establish such classification of hazards as may be for the interest of members.

"4th. To secure the adoption of uniform and correct policy forms and clauses, and to endeavor to agree upon such rules and regulations in reference to the adjustment of losses as may be desirable and in the interest of all concerned.

"5th. To influence the introduction of improved and safe methods of building construction, encourage the adoption of fire protective meas-



F. S. FLAGG
Powell Bros. Shoe Co., New York, N. Y.
Director

ures, secure efficient organization and equipment of fire departments, with adequate and improved water systems, and establish rules designed to regulate all hazards constituting a menace to the business. Every member shall be in honor bound to co-operate with every other member to accomplish the desired objects and purposes of the board."

It will be observed that the National Board has nothing to do with the fixing of rates of premium nor maintaining them; and that its work

is principally directed to fire prevention and fire protection, for which purposes it expends about \$130,000 per annum.

The annual fire waste in the United States is about \$250,000,000. It is believed that \$150,000,000 of this amount is unnecessary and preventable. At the European rate of fire loss per capita the annual loss in the United States would be about \$33,000,000 instead of \$250,000,000. The statement that \$150,000,000 is unnecessary and preventable would, therefore, appear conservative. Members of the National Association of Credit Men, just think what it would mean to your material interests if the purchasing power of our people were increased \$150,000,000 each year over what it has been in the recent past, is now and will be in the immediate future. Instead of the fire waste standing still, for the first five months of the current year it was \$10,000,000 more than in 1911 and \$32,000,000 more than in 1910 for the same period of time. This situation is serious and it is evident that all men, in all forms of business, should put forth their efforts to stem this tide of destruction which is truly a national scandal. Why is our country so afflicted? In December, 1908, a special committee of the National Board, of which I was a member, presented an address on "The Fire Waste in the United States," at the Joint Conservation Congress held in Washington. In that address appears an answer to our question which I will quote:

"The excessive difference between the fire waste of European countries and that of the United States is caused principally by

First—The difference in the point of view and the responsibility of the inhabitants of Europe and those of the United States.

Second—The difference in the construction of buildings.

Third—The difference in the regulations governing hazards and hazardous materials and conditions, and in the enforcement of such regulations.

"Referring to the first mentioned cause of difference, it may be remarked that in a portion of Europe a landlord is responsible to his tenants and neighbors for any fire loss due to his negligence and tenants are responsible to the landlord and to their neighbors for any loss due to their negligence. In this country, a whole city might be destroyed by the unmitigated carelessness of some person and there would not be the slightest penalty incurred. In Europe wastefulness is generally viewed as indefensible and a person who has a fire is regarded in an unfriendly light, since he has endangered his neighbor's property and comfort. In this country, everybody is permitted to endanger his own and his neighbor's property almost ad libitum, either by the absence of wholesome regulating ordinances or by their non-enforcement. The reckless wastefulness of our people is nowhere more apparent than in the unnecessary fire drain on their resources. Our people appear to have a very erroneous idea of fire insurance and to think that insurance payments re-create destroyed values; whereas the fact is that insurance companies are in a sense tax collectors and distributors of such taxes among those suffering loss by fire.

"The difference in the ideas of thrift, in the view of responsibility to one's neighbor, in the perception of the real meaning of fire loss or waste, is the cause of the larger number of fires per capita in the United States and perhaps of the larger loss per capita.

"The next principal cause of our excessive fire waste is our faulty construction. Our buildings as a whole are more flimsily constructed

and are larger and higher than in the countries of Europe, where the building laws are safer and better enforced."

It is rare on the continent of Europe for fire to extend beyond the floor on which it originates; it is rarer in the United States for a fire to be confined to the floor upon which it originates.

Our statement of the third cause of the excessive fire loss in the United States, namely, the lack of regulations to govern hazards, is self-explanatory and need not be amplified in this brief address.

I beg leave to quote a little more of the address as it is pertinent to my remarks:

"The National Board of Fire Underwriters, which this committee represents, devotes its energies and activities to the reduction of the fire waste and the safeguarding of property and life, and has nothing to do with rates of premium. It confines itself to matters in which fire insurance companies have a common interest and most of which also deeply concern the public.

"Thus, through a committee on fire prevention, commanding the services of a corps of engineers, the cities of the country are systematically inspected by the National Board of Fire Underwriters with a view to pointing out defects in water supply and fire department equipment, and copies of these reports, with our recommendations for improvements, are presented for the free use of municipalities.

We lately sent an engineer to the city of Boston to consult with the commissioners and authorities in regard to a new high-pressure water system. That engineer made such a favorable impression on the officials here that they asked for his services indefinitely, and we have released him in order that he may stay here, and as an engineer advise in respect to this great public improvement.

"An extensive laboratory plant is supported for the purpose of testing materials and devices of a hazardous nature entering into the problems of fire protection; a model building code had been adopted, ten thousand copies of which have been distributed to cities and towns in the United States; an arson fund is subscribed from which over a million dollars in rewards have been offered for the conviction of incendiaries; but while a million dollars in rewards have been offered, but a small amount has been paid. A learned judge of large experience has said that a jury would convict a man of murder in the first degree upon evidence upon which they would acquit a man of incendiarism, and I have here a brief item that I will read that I have just received from an insurance commissioner of one of the New England states, on the subject of investigations. He says:

"Several fires have been investigated since the issuance of the last bulletin, and we are gratified to report success on several of them. We have been handicapped by the indifference of county attorneys in several instances. It seems to us that there should be no excuse for county attorneys acting in this way. The department goes to the expense of making complete investigations, and when satisfactory evidence is secured, turns the matter over to the county attorney. The funds at our disposal for investigating fires are limited, and we desire to make them go as far as possible. It is disgusting and humiliating to get up sufficient evidence to hold a party suspected of incendiarism, and have the county attorney utterly disregard the same or maintain such a spirit of indifference as amounts to nonfeasance. Should the condition arise again we shall place the matter in the hands of the attorney general."

"It is rarely that a district attorney will act. I have known many cases of their refusal.

"Nearly half a million of standard rules and lists of hazardous and protective devices and materials were during the past year alone circulated to the public free of charge; hundreds of thousands of copies of the rules to regulate electric installations are annually distributed, and in every way possible we have endeavored to create a sentiment which should tend to place some check upon the constantly increasing destruction of values by fire.

"The committee believes that the present fire waste in this country is an unnecessary national calamity and that, to reduce it, it is essential:—

First—That the public should be brought to understand that property destroyed by fire is gone forever and is not replaced by the distribution of insurance which is a tax collected for the purpose.

Second—That the states severally adopt and enforce a building code which shall require a high type of safe construction, essentially following the code of the National Board of Fire Underwriters.

Third—That municipalities adopt ordinances governing the use and keeping of explosives, especially inflammable commodities and other special hazards, such as electric wiring, the storing of refuse, waste, packing material, etc., in buildings, yards or area ways, and see to the enforcement of such ordinances.

Fourth—That the states severally establish and support the office of fire marshal and confer on the fire marshal by law the right to examine under oath and enter premises and to make arrests, making it the duty of such officer to examine into the cause and origin of all fires and when crime has been committed requiring the facts to be submitted to the grand jury or proper indicting body.

(It is the custom of states in establishing a fire marshal's office immediately to lay the tax for its support on the fire insurance companies. That is an indication that the state does not consider that it establishes the law for the protection of the people of the state, but for the protection of the fire insurance companies. It is failure to recognize the economic truth to which I have referred; and it is unjust to you in that it places the whole cost of the fire marshal's office, which is for the benefit of all the people, upon those who pay insurance premiums. The result of the work of the fire marshal's office should save lives, it should save property, whether insured or uninsured, and therefore there is a discrimination in the tax when it is levied upon insurance companies, to be by the insurance companies re-levied upon you.)

Fifth—That in all cities there be a paid, well disciplined, non-political fire department adequately equipped with modern apparatus.

Sixth—That an adequate water system with proper distribution and pressure be installed and maintained. In the larger cities a separate high pressure water system for fire extinguishment is an absolute necessity, to diminish the extreme imminence of general conflagrations."

I again ask you to consider the beneficial effects upon your own interests, as well as those of our whole people, of a large reduction in our excessive fire waste. You are quite as much interested as the insurance companies. A reduction in the fire waste would of necessity be followed by a reduction in the rates of premium. The fire insurance companies could not retain the saving but, wherever it should rest, the saving would be in circulation, would improve credit, increase the volume of business and add to the comfort and welfare of the people.

Will you do your share in this important and worthy work? You have already answered this question in the affirmative. The National Board is, naturally perhaps, the leader in this work. We may need, from time to time, to ask you for specific co-operation. For the valuable co-operation you have given in the past and for the greater co-operation I believe you will be pleased to contribute in the future, I thank you on behalf of the National Board of Fire Underwriters. (Great applause.)

President New—We will next receive the report of the Legislative Committee by Mr. J. H. Kentnor, chairman, St. Louis.

Report of the Legislative Committee

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

At the inception of its report your Legislative Committee desires to call to your attention the fact that the Association's work for adequate and proper commercial legislation for the specific purpose of protecting credits—the object which stands foremost in the preamble of our Constitution and has been persistently pursued throughout our sixteen years of activity—is now fully justified in the minds of all broad men who have given it reasonable consideration.

Commercial legislation has been viewed suspiciously by the average legislator, due to the fact probably that he has not been a man of commercial or financial training, but now men generally recognize that credit is the great indispensable factor in our commercial and financial welfare, and that it is right that reasonable and proper safeguards be thrown about it. This change of attitude is undoubtedly largely due to the energetic and intelligent character of our work; it is now far easier than in the past to present necessary and adequate commercial legislation and have it appreciated and supported by our legislators. There has been, therefore, a distinct progress in our legislative department, and that it continue vigilant and efficient must be the enduring care and thought of our Association.

We must refrain from multiplicity in our legislative programs and arrive by careful thought and a study of general needs to the point of recommending laws national in application, which in general can be adopted as uniform in all our states.

Again, we must keep our legislative vision big and free from any deserved criticism of class preference or prejudice.

Your committee did not begin its active operations until after the turn of the year. This has not been an active legislative year, and thus it permitted concentration which has really helped your committee instead of hindering it. The committee has been able to make, we believe, the beginning of a legislative program which, with every promise of success, can be carried forward by the committees of succeeding years.

The drafts of two laws were especially considered by your committee, namely, those referring to bad checks and false statements, both endorsed by the National Association of Credit Men at the last convention. The law regarding false statements was prepared by your counsel, Mr. Julius Henry Cohen, in conjunction with counsel of the American Bankers' Association, Mr. Thomas B. Paton.

Inasmuch as it became clear early that but little success promised from the urging of the bad check law, our efforts were mainly concentrated upon the false statement law. Our study of this law led to the conviction that it marks a strong advance in commercial legislation, and is one of the most useful and valuable ever prepared and recommended by our Association for the protection of credits.

No reasonable estimate can now be placed upon the protective value of this law when adopted in the main throughout all our states; your committee believes that the National Association of Credit Men should be dedicated to the uniform adoption of this law. It deals a direct blow at those who through weakness or wilfulness undertake to secure credit on false representations. The special provisions of the measure cannot be touched upon in this report but a brief has been prepared by our counsel, Mr. Cohen, and a copy of this brief may be obtained by any of our members. It fully illuminates the main points in the application of the law.

During the period of your committee's operations, but eleven of our states convened their legislatures. In one of these, Arizona, there is not a member of the National Association of Credit Men, and while an effort was made by your committee to secure the passage of the false statement law through the representative of the American Bankers' Association resident in that state, yet nothing was accomplished. It appears that the legislators of Arizona did not view favorably any legislative measures proposed by the banking fraternity.

In Kentucky the legislature was so constituted that it appeared foolish to the Legislative Committees of the Louisville and Lexington associations to urge any commercial legislation. It was confidently believed that neither our false statement nor bad check law would be favorably considered. In the upper branch of the Kentucky legislature an effort was made to increase the real estate exemption, a bill to this effect actually passing in that chamber, but it was successfully met and defeated in the lower house through the direct and splendid efforts of active members in Louisville and Lexington, with the co-operation of some of our individual members scattered through the state.

In Maryland, the efforts of the Legislative Committee of the Baltimore association were concentrated upon a new bulk sales law which was pressed to a favorable conclusion. This Maryland statute is a valuable addition to our bulk sales legislation and our Baltimore association is to be congratulated upon its success. The Legislative Committee of the Baltimore association also endeavored to secure a bad check law, but failed. The same committee gave consideration to the false statement law but decided not to present it in view of a prearranged legislative program.

In Massachusetts, the final date for presenting bills in the legislature had passed before our recommendations reached the Legislative Committee of the Boston association. However, Massachusetts has a statute penalizing false statements, a statute which in its terms very closely approximates the false statement act prepared and adopted by our Association.

In Mississippi, legislative conditions were similar to those in Kentucky. The member of our Legislative Committee in that state, where we have no affiliated branch, was very eager and attentive in the presentation of our false statement and bad check laws. Notwithstanding his efforts, the measures were accorded no consideration.

In South Carolina, our experience was similar to that in Massachusetts, the final date for presenting bills being passed before the member of our Legislative Committee, to whom was intrusted the false statement and bad check laws, could make his arrangements to have them presented. The legislature of South Carolina meets annually, however, and it is recommended that the incoming committee arrange its legislative program for South Carolina in due time. Work there will now be very much facilitated because two local associations have been recently organized and are now energetically operating in that state.



J. H. KENTNOR
Smith & Davis Mfg. Co., St. Louis, Mo.
Chairman, Legislative Committee

In Virginia, our false statement law was offered in the legislature but failed of passage.

In New York, the false statement law, and an amendment to the forgery in the third degree statute, necessitated by a decision handed down by the Supreme Court of the state, were presented in the Assembly and Senate through the personal efforts of our counsel, and were kept

under his constant survey. Our five associations in New York state—the New York, Buffalo, Rochester, Syracuse and Utica associations—instigated energetic campaigns for these two bills, bringing pressure to bear upon the legislators that could not be ignored. Our individual members in the state were also circularized and became individually interested. The result was that both bills passed—a result of great significance to credit grantors in New York state and out of it and a remarkable achievement of our Association.

In New Jersey the false statement law was presented and passed through the efforts of the Legislative Committee of the Newark association, whose chairman devoted time and thought without stint to this result.

In Rhode Island, the false statement law was passed through the almost unaided efforts of one of our Providence members.

The Louisiana legislature has just convened, and when this report was prepared the false statement law had been offered in the legislature of that state through the efforts of the Legislative Committee of the New Orleans association. It is sincerely to be hoped that the law may be given a place in the statutes of Louisiana.

The legislature of Georgia convenes in June, and our false statement law has already been placed in the hands of the Legislative Committees of the Atlanta and Savannah associations.

Only one other state convenes its legislature this year, namely, Vermont, in October. Our Burlington association has been requested by your committee to have a Legislative Committee ready in due time to present our false statement law and urge its adoption.

Your committee deems the passage of the false statement law in New York, New Jersey and Rhode Island a splendid start in our plan of urging forward this law in all the other states.

Paralleling the efforts detailed above, your committee considered the amendment offered in Congress by Hon. E. J. Hill, of Connecticut, to the federal corporation tax statute. It was the belief of your committee that the amendment proposed by Mr. Hill, providing that corporation reports might be made coincident to the termination of a corporation's fiscal year, was not only equitable, but economic, and the committee indicated its approval of Mr. Hill's proposals.

A suggestion has been tendered your committee by one of the able counsel of the Association that consideration be given by the Association to a plan of bringing about in all states uniformity in "acknowledgments." It is pointed out that the diversity of state statutes regulating the acknowledgment of deeds and other documents produces a great deal of confusion and that uniformity would be highly desirable. This suggestion came very late and will be passed on to the incoming committee.

Your committee was also asked to consider the advisability of recommending the appointment, upon the part of our states, of corporation examiners. It was believed by the member who made this suggestion that a great deal of wrong was done the community through badly formed and poorly operated corporations, and that this injury could be relieved through examinations paralleling those made of our national banks, and in many instances of our state banking institutions. Your committee reached no determination upon this suggestion, and will pass it on to the incoming committee.

Summarizing our work of the year, your committee begs to present the following resolutions:

I

"Resolved, That the legislative work submitted in this report be viewed with satisfaction, and that it is the sense of this convention that this department of the National Association of Credit Men be efficiently and energetically maintained.

II

"Resolved, That inasmuch as the incoming Legislative Committee will confront a very active legislative year, every co-operation be urged for, and accorded this committee; that our local associations be urged to appoint and maintain efficient and active local Legislative Committees, and that from the National Legislative Committee there be appointed not more than six members to act in an advisory capacity with the chairman, and to assemble in conference whenever it may be deemed expedient by the chairman and the secretary-treasurer of the National Association.

III

"Resolved, That the National Association of Credit Men, in convention assembled, reaffirms its belief in the advantage and necessity of the false statement law as prepared and recommended by the Association, and urges its adoption by every state whose legislature will convene during the coming year.

IV

"Resolved, That in all states where there are located two or more affiliated branches of this Association, the Legislative Committees of these associations be urged to co-operate, one with another, by verbal arrangement or simple rules, with a view to acting harmoniously and effectively in all legislative programs prepared and recommended by the National Association of Credit Men through its National Legislative Committee or the National office."

Respectfully submitted,

J. H. KENTNOR, *Chairman.*

At the conclusion of the reading of his report Mr. Kentnor said: "I am informed by the New Orleans Credit Men's Association that the legislation urged for enactment in Louisiana by that organization has been favorably reported, including the false statement measure and an amendment to the bulk sales bill.

"The chattel mortgage bill, providing for loans, has passed the house and has been ordered engrossed and passed to a third reading by the senate, and will probably become a law.

"I have also had handed me by the Ohio delegation the following: 'In Ohio the convention met to revise the state constitution on an amendment which was accepted by the convention subject to the approval of the voters, which we hope will pass muster. It provides that the legislature may regulate the sale of stocks or other property.'"

Mr. Kentnor—I move the adoption of the resolutions and the acceptance of the report.

Motion seconded and unanimously carried.

Mr. Max Silberberg, Cincinnati—Mr. Kentnor read from memorandum a statement that the Ohio constitutional convention which was assembled within the last three months, accepted an amendment to the

constitution regulating sales of stock. But the real proposition is the "transfer" of stocks and bonds; and that will appear in the proposal. If that proposal is carried at the next election, Ohio is sure to give you as strong a bulk sales law as any state has, and we hope to carry it through.

President New—We meet at 2.30 o'clock sharp after luncheon, and the first order of business will be the report of the special committee appointed on Tuesday to whom the Pittsburgh resolution on increase of directors was referred. Please be here promptly at 2.30 o'clock.

Secretary Tregoe then read the following telegram:

"Oklahoma City, Okla., June 19, 1912.

"J. H. Tregoe, Secy.,

National Association of Credit Men, Boston, Mass.

"Abundant rains throughout Oklahoma; good crop wheat and oats already made, will be followed by kaffir; alfalfa best in years, first cutting already saved, second crop well along toward harvest. Corn in splendid shape; peaches and garden truck now shipping; poultry and dairy products sharply increased and hogs and cattle bring top prices; country merchants buying light but stocks low and manufacturers and jobbers ready to extend all the credit needed. Prospects look good to me.

"GEO. W. CURTIS."

Secretary Tregoe—I will wire Mr. Curtis in your name acknowledging receipt of the telegram and asking him to keep up the good work.

Recess was here taken till 2.30 o'clock P. M., same day and place.

THIRD DAY

Thursday, June 20, 1912

AFTERNOON SESSION

President New called the afternoon session of the third day of the convention to order at 2.40 o'clock P. M.

President New—at the meeting held on Tuesday, a special committee consisting of six of which Mr. Frank H. Randel of Cleveland is chairman, had referred to it a resolution presented by the Pittsburgh association calling for an amendment to the constitution, Article VII, regarding increase in the number of directors. This proposed amendment was published in the BULLETIN, as provided by the constitution. We are now ready to hear from Mr. Randel the report of that committee.

Mr. F. H. Randel—Your committee of six appointed to consider a constitutional amendment proposed by the Pittsburgh association, has held three meetings. We have gone over most carefully the amendment offered. We have also considered a substitute proposition offered by the St. Louis association, also several other suggestions offered to the committee; and after going over them all carefully, considering every phase of the various parts of the proposed amendments, your committee has come to the conclusion that it is best to recommend the adoption of the amendment offered by the Pittsburgh association—the amendment that has been published in the BULLETIN. Now, this amendment has

been handled in accordance with the article of the constitution specifying the manner of making amendments.

The St. Louis outline, submitted to the committee of which printed forms have been distributed, has been given due consideration. It has a good many excellent points; but if the St. Louis amendment should be considered at this time, as an amendment to the Pittsburgh amendment or as a substitute therefor, it would not be constitutional in our opinion, being contrary to Article VIII. Now, the BULLETIN advised us that Article VII was to be amended, not Article VIII, and the only way that Article VIII could be touched at all or amended, is to have it done in accordance with the constitution, and that means a year's delay. Since Article VIII cannot be constitutionally considered, your committee could not see its way to recommend the amendment proposed by St. Louis.

Now, the amendment as it is offered by the Pittsburgh association reads as follows:

"ARTICLE VII.

OFFICERS.

"The officers of the Association shall consist of a President, a 1st Vice-President, a 2d Vice-President, a Treasurer, a Secretary and a Board of Directors, consisting of twenty members and the President, 1st Vice-President, 2d Vice-President, the Treasurer and the Secretary, by virtue of their offices.

The President shall be chairman of the Board of Directors.

At the annual convention in 1912 there shall be thirteen directors elected, three of whom shall be elected for the period of one year, and ten of whom shall be elected for the period of two years, and thereafter, in each year, there shall be elected ten directors whose terms of office shall be two years.

When the membership of the Association reaches 20,000, the Board of Directors shall be enlarged from year to year by the election of one additional director for each thousand members or fraction thereof in excess of the above basis. Such additional directors shall be elected to serve two years.

The terms of office of all other officers shall be one year or until their successors shall be elected, and all officers shall serve without compensation, except the Secretary, whose salary shall be fixed by the Board of Directors."

Now, this is the amendment the committee recommend, and I might add just one more word, that in going over the St. Louis amendment we concluded that it would be unconstitutional to attempt to remodel Article VIII at this time, only after conferring with counsel.

I will leave several of the printed blanks of the St. Louis amendment with the National office; for it is the opinion of the committee that if it contains some good points, it will be a good idea for the National office to have the proposed amendment printed in the BULLETIN thirty days previous to the next convention; so that it can be properly handled at the next convention and the proper articles amended; and the committee will see that it is brought to the attention of the National office in a proper way, so that it will be submitted according to the constitution.

President New—The question before you is the amendment of the constitution, that is expunging old Article VII and replacing it with that Mr. Randel has just read. The language in this article, I might say, is the same as in the old, except the change to twenty directors instead

of fourteen, and the further additions made necessary to indicate how the new directors are to be elected—that is, three to serve for one and three for two years.

Mr. Randel—As chairman of the committee I move the adoption of the amendment.

Motion seconded.

Mr. H. G. Moore, Kansas City—I move an amendment to add these words:

"The ten nominees receiving the highest number of votes shall serve terms of two years and the three receiving the next highest shall serve terms of one year."

Motion seconded.

Mr. Randel—I accept Mr. Moore's amendment.

Mr. Max Silberberg, Cincinnati—I would like to have the part relating to the election of officers read over.

(The proposed amendment was then read by the secretary.)

President New—to which is added by motion of Mr. Moore, of Kansas City, that the ten nominees receiving the highest number of votes serve the two-year term and three receiving the next highest number of votes shall serve the one-year term.

Mr. F. H. McAdow, Chicago—As it seem to me, the wording of Mr. Moore's amendment should be such as to apply specifically to the election that is to be held at this convention. Otherwise it might lead to confusion by seeming to apply to others.

Mr. Moore—I will add, to apply to the election of 1912.

Mr. J. W. Daniels, Philadelphia—Is it desirable when making an addition to the Board of Directors that you should add one for each thousand or a fraction? Eleven hundred members would give you two directors.

President New—We will elect twenty directors tomorrow if the amendment is adopted. After we have 20,100 members we elect one member in addition according to the proposed amendment.

Mr. Moore's motion to amend his original motion in conformity with Mr. McAdow's suggestion, seconded.

Mr. Max Silberberg, Cincinnati—The last paragraph reads, "The terms of office of all other officers shall be one year or until their successors shall be elected." An elected officer's term usually begins after he is qualified and not before. I therefore offer an amendment by inserting the words "and qualified" after the word "elected." It would then read: "The terms of office of all other officers shall be one year, or until their successors shall be elected and qualified."

Seconded.

President New—That suggestion refers to the last clause. The secretary will read the last clause.

(So read.)

President New—The last clause as amended as proposed by Mr. Silberberg will read: "The terms of all other officers shall be one year or until their successors shall be elected and qualified."

Mr. Randel—As chairman of the committee I will accept both of the changes offered, and they may be combined in one.

President New—Is there any objection to placing before you the entire question with changes as agreed to by the chairman?

(No objection.)

President New—Those in favor of the amendment as offered by the

committee and with the changes offered by Mr. Moore and Mr. Silberg will say "Aye."

Unanimously carried.

(Great applause.)

The resolution as adopted is as follows:

"Resolved, That the constitution of the National Association of Credit Men be amended by striking out Article VII, and, instead thereof, adopting the following as Article VII:

ARTICLE VII.

OFFICERS.

The officers of the Association shall consist of a President, a First Vice-President, a Second Vice-President, a Treasurer, a Secretary and a Board of Directors, consisting of twenty members and the President, First Vice-President, Second Vice-President, the Treasurer and the Secretary, by virtue of their offices.

The President shall be chairman of the Board of Directors.

At the annual convention in 1912 there shall be thirteen directors elected, three of whom shall be elected for the period of one year, and ten of whom shall be elected for the period of two years; the ten nominees receiving the highest number of votes shall serve two-year terms and the three receiving the next highest number of votes shall serve one-year terms, this to apply to the election of 1912; thereafter, in each year, there shall be elected ten directors whose terms of office shall be two years.

When the membership of the Association reaches 20,000, the Board of Directors shall be enlarged from year to year by the election of one additional director for each thousand members or fraction thereof in excess of the above basis. Such additional directors shall be elected to serve two years.

The terms of office of all other officers shall be one year or until their successors shall be elected and qualified, and all officers shall serve without compensation, except the secretary, whose salary shall be fixed by the Board of Directors."

Report of the Adjustment Bureau Committee was then read by Mr. S. J. Whitlock, chairman, of Chicago.

Report of the Adjustment Bureau Committee

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

The year has been one of continued progress in the development of Adjustment Bureaus. It remains true, as in previous years, that those bureaus show the largest degree of prosperity that in their conduct adhere closest to the original adjustment bureau idea.

As a result of the year's study and observation, your committee more than ever is convinced of two things,—first, that the power which the Adjustment Bureaus represent and the possibilities for development which they offer, are as yet unmeasured, and second, that the one thing needful is the further education of the credit man and the creditor to the appreciation of these possibilities and the application of this power.

As recognized by the National Association of Credit Men, the Adjustment Bureau is but a few years old, yet it shows giant proportions. From

an idea it has grown to an institution. Having its conception largely in the crying need for some means of relief from an oppressive system of waste inevitably attending the administration of insolvent estates, and with the salvage feature of its work still predominant, the Adjustment Bureau has come to be a medium of recognized responsibility in promoting among the creditor class that modern spirit of helpfulness we call co-operation, the spirit that even in the case of a commercial disaster, not only recognizes the rights of the other fellow but willingly joins hands with him for the mutual benefit and equal protection of all. Applied to the handling of insolvencies, the Adjustment Bureau is the ideal exponent of democracy. It stands for administration of the debtor's affairs by the creditors and for the creditors.

Admittedly this command of co-operation explains the strength of the Adjustment Bureau, and this ability to command co-operation rests upon the fact that the bureaus occupy a position of disinterestedness vouched for by the Credit Men's Association. When a creditor complies with the request to relinquish the individual right of enforcing his demand against a failing or insolvent debtor, he justly expects to be guaranteed, first of all that he will get exactly what any other creditor gets, and that his dividend will represent every dollar which the assets can be made to pay. In other words, the handling of a case by an Adjustment Bureau must and does imply an impartial, impersonal, efficient administration, devoid of every selfish or profit-seeking interest. For this the Credit Men's Association must and does assume responsibility.

That there should still be found so many credit men even among our own number, who are uninformed or indifferent as to the advantages afforded in the use of our Adjustment Bureaus is difficult to explain. Certain classes of attorneys whose source of livelihood is threatened have not been so slow to discern what the bureaus are doing and give promise of becoming. As a people we Americans are charged with extravagance and the enormous fire loss of this country is cited as an appalling instance. Even in the matter of our bad debt losses the charge seems to hold good. Bankruptcy statistics compiled by the Department of Justice for the year 1911, show total liabilities of 165 millions. This covers bankruptcy cases only; other classes of failures and commercial defaults of which the figures are not available, will probably double this huge amount. Nor is this all. Generous with our credits in the first place, we are positively prodigal when it comes to administration expense. The authority quoted gives six millions as the cost of realizing and distributing thirty-three millions. Again, as there is in the case of our fire losses a large percentage of preventable loss called "fire waste," so in almost every case of insolvency of any consequence, there is a certain amount of "failure waste" represented by the invariable shrinkage of asset values that follows the laying of the cold hand of the law upon a going business temporarily embarrassed. Good-will is swept away and merchandise shrinks in value to an extent almost unbelievable.

Your committee calls attention to this subject as properly demanding the consideration of our members in connection with the broad field our Adjustment Bureaus are designed to cover, and the important work they are qualified to perform. Procuring and facilitating co-operation among creditors and with the debtor, undertaking adjustment by liquidation or temporary operation as the case may require, eliminating every personal equation, reducing administration costs to a minimum, in short, taking the whole work of handling commercial failures out from under the cum-

brous and wasteful legal regime of a past order, and placing it in the hands of a business organization, employing expert men and modern methods, under a policy of construction instead of destruction, controlled by creditors themselves—the real parties at interest,—that is the simple but certain solution the Adjustment Bureau offers for the problem of failure waste, and the reduction of bad-debt losses.

That our Adjustment Bureaus are meeting the requirements, and enjoying the endorsement of creditors to an increasing extent, is evidenced by the figures of the year's transactions which are as follows: Total num-



S. J. WHITLOCK
Belding Bros. & Co., Chicago, Ill.
Chairman, Adjustment Bureau Committee

ber of cases closed 517, of which 363 were adjustments and compositions, and 154 bankruptcies. The liabilities involved were \$3,649,000 with reported assets of \$2,027,600. There was paid to creditors \$1,392,000, or an average of 38.15 per cent. in dividends in all cases treated. Among the reported closed cases are several fire-loss adjustments, indicating to your committee that this field of bureau activity is not being overlooked but gives promise of increased development.

Your committee has continued its labors towards the standardization

of the operating plans of the different bureaus. A conference of managers was held at Chicago in February, which was very generally attended. There were present also at this meeting Secretary-Treasurer Tregoe of the National Association and some members of the National committee. The result of our deliberations is embodied in the rules which are made a part of this report and the adoption of which on the part of this convention your committee will make in appropriate resolutions.

The complaints received by your committee have been few and hardly deserve to be mentioned except that the spirit of fairness which brought about a satisfactory adjustment reflects a high standard.

Your committee finds that one source of confusion and consequent loss of co-operation, arises from the fact that some bureaus continue to operate under names that do not at once identify them as Adjustment Bureaus of the branches of the National Association of Credit Men. This leads your committee to urge and recommend such changes as will result in the absolute similarity of names of the different bureaus, so that their standing and connection will be immediately apparent.

Your committee also recommends that a division of territory be made, either by states or federal districts, such as to permit the preparation of a directory of bureaus and the field each covers, so that our members and credit men generally throughout the country, may have a ready and reliable reference when the services of the Adjustment Bureau are desired. Experience and observation convince us that this would greatly facilitate the transaction of business and prove a distinct mutual advantage.

While the number of bureaus in operation has remained the same, inquiries received from several cities indicate an interest in the work that will result in some additions in the near future.

We now offer for your consideration the following resolutions:

I

"Resolved, That the rules adopted by the managers of our Adjustment Bureaus in conference at Chicago on February 23, 1912, for the governance of adjustment bureaus connected with this Association, and presented as a part of this report be, and are hereby adopted.

II

"WHEREAS, The efficiency and value of the Adjustment Bureau as an adjunct of our local association work—whether in administering embarrassed estates out of court or under the control of courts of bankruptcy, and also in providing an organized force against practices which have brought the national bankruptcy law under serious criticism—have been repeatedly demonstrated wherever such bureau has been conducted in manner consistent with the principles set out in the rules adopted by the Association for the operation of bureaus, be it

"Resolved, That our local associations be urged seriously to consider the organization of Adjustment Bureaus where they are not now organized, and that the incoming Committee on Adjustment Bureaus make it their care to see that all bureaus are operated in accord with the spirit of the rules which were drafted by the February conference of Adjustment Bureau managers and are made a part of this report.

III

"WHEREAS, Collusion has been discovered between forwarders of claims and correspondents for the purpose of forcing estates into bankruptcy and to bring about the division of fees attendant upon bankruptcy procedure without regard to clients' interests or the interests of creditors generally, be it

"Resolved, By the National Association of Credit Men in convention assembled, that all our members be urged whenever placing delinquent claims with collection agencies or attorneys to make a condition explicitly stated upon the claim by proper sticker, that the claim is to be returned to the claimant in the case of insolvency or bankruptcy, and that no action is to be taken thereon except upon further instructions."

RULES AND PRINCIPLES OF CONDUCT FOR ADJUSTMENT BUREAUS CONNECTED WITH AFFILIATED BRANCHES OF THE NATIONAL ASSOCIATION OF CREDIT MEN

(Drafted at a Conference of Adjustment Bureau Managers held at Chicago, Ill., February 23, 1912.)

1

The Adjustment Bureau to be established by and under the absolute control of the local Association of Credit Men. If the local association is incorporated, it may be optional with that association whether the Adjustment Bureau be separately incorporated. If the local association is not incorporated, it is suggested that the Adjustment Bureau be separately incorporated; and governed by a board of directors selected by the local association; if not incorporated, governed by a committee appointed by the local association.

2

Adjustment Bureaus are primarily established for the benefit and service of the members of the National Association of Credit Men and its affiliated branches, for the saving of expense in administering solvent and insolvent estates, in which they may be interested but such bureaus shall not handle delinquent accounts for collection as bureaus, nor are the managers or commissioners of such bureaus to handle such delinquent accounts in their official capacity.

3

A delinquent account within the meaning of Rule 2 is one that is considered uncollectible upon present demand, and is not placed for the purpose of investigation or adjustment.

4

The Adjustment Bureau is to be operated by a manager or commissioner selected by the governing committee or board of directors.

5

Each Adjustment Bureau shall have an adjuster, who may be the manager, commissioner, or one of his assistants. He shall make investigations at the request of any member of the association at a compensation not to exceed \$15.00 per diem and expenses.

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In the absence of other agreement should the adjuster discover upon investigation, that the affairs of a debtor or debtors need general adjustment, then the Adjustment Bureau which the adjuster represents shall, without further instructions, proceed to the adjustment of the debtor or debtors' affairs for the benefit of all creditors, in which event, the expenses of the investigation shall be pro rated against all claims handled by such bureau, unless otherwise provided for.

If the estate to be adjusted or liquidated is located in a city where an Adjustment Bureau is located, and where there are other creditors of the estate in interest, there shall be co-operation between the bureau where the estate is located and the originating bureau, but if the estate is not located in such city, then the adjustment is to be made under the supervision of the bureau where the adjustment originated.

The manager or commissioner of the Adjustment Bureau where the investigation or adjustment originated is to advise immediately, the managers or commissioners of all Adjustment Bureaus where creditors are located, and also all creditors. He shall also suggest to the creditors that it is preferable that claims be forwarded through the local Adjustment Bureau, or that creditors can forward claims direct. The local bureaus shall be kept fully advised by the operating bureau of the progress of the case.

An allowance not exceeding one-third of the commissions charged on claims is to be allowed the bureau, on such claims as are forwarded by that bureau or sent direct.

The Adjustment Bureaus are formed not to make a profit, but for economical administration for the benefit of those interested,—therefore all charges shall be reasonable, the schedule of charges adopted by each Adjustment Bureau to be filed with the National office, and with the chairman of the Adjustment Bureau Committee.

A committee consisting of the chairman of the National Adjustment Bureau Committee, and one member thereof, two Adjustment Bureau managers, and the secretary-treasurer of the National Association, shall constitute a committee of complaint to arbitrate all complaints between Adjustment Bureaus or between members and bureaus, and the decision of a majority of such committee shall be binding upon all parties in interest, and such decision filed with the National Association's committee.

Reports, at least quarterly, shall be furnished the National office of the estates adjusted in each of the local Adjustment Bureaus.

Respectfully submitted,

F. M. GETTYS,
C. A. LORING,
F. B. MCCOMAS,
T. H. SHEPPARD,
S. J. WHITLOCK, *Chairman.*

Mr. S. J. Whitlock—I move that the report be accepted and the resolutions adopted.

Motion seconded and unanimously carried.

President New—The adoption of the resolutions implies the adoption of the rules.

Mr. A. C. Ellis, Pittsburgh—I wish to thank Mr. Whitlock and his committee for the recognition given the bureaus in their annual report. At a meeting of the managers of Adjustment Bureaus attending this convention, there were many expressions of recognition of the splendid work which has been accomplished by the present Adjustment Bureau Committee, and to put this appreciation in concrete form a resolution was framed to be presented to this convention with a view to having it take its place in the convention proceedings. If your Adjustment Bureau Committee as now constituted did not have almost the patience of Job, together with the wisdom of a Solomon, it could not have held to its task and listened so patiently to our troubles, which we learned to know were always to be smoothed out and settled by the tactful, just and reasonable chairman, Mr. Whitlock. We managers have made mistakes. Who has not? Some of the greatest blessings sometimes come in disguise through one's mistakes and I want to tell you that each mistake corrected, helped to weave our wonderful system of administering insolvent estates and of aiding crippled merchants to bridge over periods of distress. Credit men, I wish to bring to your attention in the strongest language possible so that it will be impressed on your memories, the necessity of giving your best support to *your* Adjustment Bureaus; if you will do this by co-operation, and by the constant and consistent use of these bureaus you will have fewer bankruptcy pirates—fewer business wreckers, less unfair compositions to complain of, and you will have an opportunity to rejoice in larger dividends.

The resolution framed by the managers in meeting is as follows:

"WHEREAS, The managers of Adjustment Bureaus realize the great good accomplished by the Adjustment Bureau Committee of the National Association of Credit Men through its untiring efforts for and on behalf of betterment in Adjustment Bureau methods, therefore, be it

"Resolved, That the managers of the Adjustment Bureaus hereby express their high appreciation of the good work done by the present Adjustment Bureau Committee."

I move that this resolution be entered upon the proceedings of this convention.

Mr. F. B. Bicknell, Cleveland—As one of the bureau managers I heartily approve of the resolution as read.

Motion seconded and unanimously carried adopting the resolution as read.

Mr. J. D. Faucette, Bristol—This Adjustment Bureau work seems to me to be one of the principal, one of the most important advantages that we are to get out of our co-operation. Now, there are two points on which I would like enlightenment. I can understand how an Adjustment Bureau may be worked by the larger organizations, but I do not happen to belong to one of those, therefore I want to know what the "2 x 4's" are going to do. We have cases to adjust, yet I do not see how the smaller organizations are to form and support a bureau. We handle some adjustments in a co-operative way but we do not have a standing Adjustment Bureau.

Another point I would like enlightenment on is how the smaller organizations are going to keep debtors from making assignments and taking advantage of the bankruptcy law, how we can manage it so that the Adjustment Bureau shall first get control.

Mr. Arthur Parsons, Salt Lake City—We have an Adjustment Bureau in Salt Lake City. If we have a failing debtor there and find a creditor who has an account with him, we notify such creditor and make him a party with us in any adjustment we make.

President New—We will now listen to an address by Mr. F. B. McComas, Los Angeles, Cal., on "Value of Adjustment Bureaus."

Value of Adjustment Bureaus

ADDRESS BY F. B. MCCOMAS, LOS ANGELES, CAL.

I have been asked to present a twenty minute paper on the "Value of Adjustment Bureaus." It will be quite evident to anybody who has had any real acquaintance with Adjustment Bureaus in the handling of failure cases out of court or the administration of cases in court, that this subject can not be done justice in any twenty minute paper. However, I am entirely in sympathy with the policy that places a time limit on the speaker in a convention of this kind where there is so much of importance to be discussed and so little time in which to discuss it.

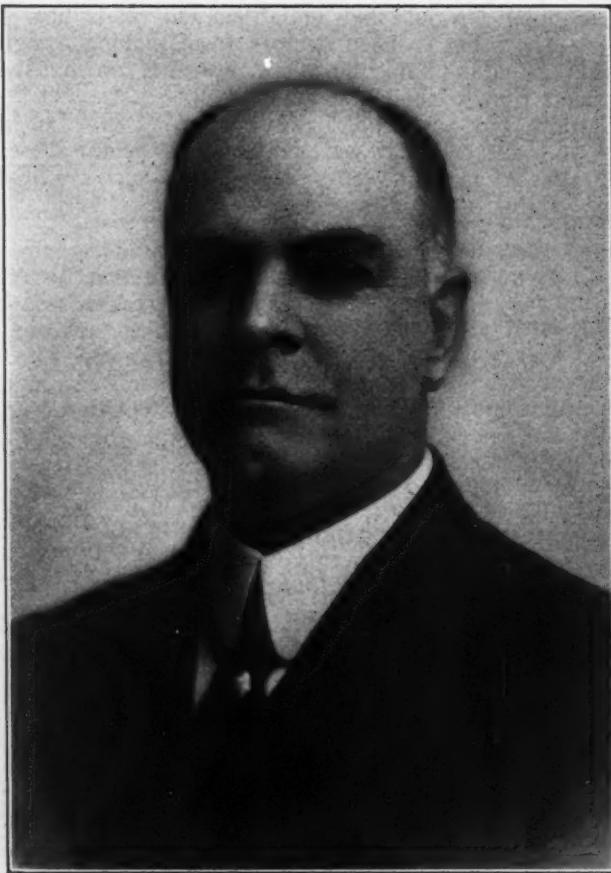
I will ask that you bear in mind my handicap. It may very properly be offered as an excuse for eliminating all fine rhetoric and flights of oratory, and with your permission I will endeavor to get right down to the subject. I take it for granted that all here have made a more or less careful study of the abuses which the Adjustment Bureau endeavors to relieve and the conditions which it aims to improve.

We have listened each year to the report of the Adjustment Bureau Committee and have good reason to be thankful of their service, but a great many members of this Association do not appreciate the really big work that is being done in certain parts of our country by the Adjustment Bureaus. Some of these members will tell you that the Adjustment Bureau will never satisfactorily do the work that it is intended to do. They are pessimistic in this department of our work, a pessimist according to a late definition being "a man who doesn't care what happens just so it doesn't happen to him."

In order to get closer to this question let us see what the peculiar work of the Adjustment Bureau is. We all know that under the old plan,—and when I say old plan, I mean, perhaps better, the absence of plan and all co-operation in the days before the Adjustment Bureau was worked out,—the lame duck was always living in mortal terror lest he

be pounced upon by some panic stricken creditor; and the creditors, realizing that some of them may get over anxious at any time, do not know what morning they may open their mail and find that a fellow creditor has decided that it is time to sue or attach a party with whom they have had a good account.

Now let us see what happens when such an attachment is levied. Immediately all the other creditors have to follow with their attachments, an inventory of the merchandise is taken by the sheriff and it is found



F. B. McCOMAS
Los Angeles Notion Company, Los Angeles, Cal.
Director

that although the creditor may be solvent, still he is not in a position to raise money enough to pay all of his creditors at once. All of us know this condition is not very wonderful, for it is a safe venture that there are *many* solvent firms that would find it very difficult to pay off all their creditors if they came in a mass and suddenly demanded their money.

The next step is to throw the case into bankruptcy and for the trustee to sell the stock, as a result of which 60 cents on the dollar, we will say, is

realized. A long wait now ensues, for each claim has to be properly proven, expensive fees deducted and the creditors get their checks in the end for 15 or 25 per cent. of original claims.

The debtor may get a release or he may not. The chances are that he is put down as a crook and you honestly believe that he is one, yet this conclusion may do you a great injustice as well as the bankrupt, for it may tend to make you ultra-conservative.

Now, what is the result of such methods? A merchant that might have grown into a good customer has been bankrupted, his assets dissipated, your claim to the extent of 75 per cent. lost and a man has been given the brand of crook who perhaps may simply have been a poor business man.

It is from a desire to save this economic business waste that the advocates of the Adjustment Bureau plan are urging its general adoption and its generous support. Let me explain to you if I may, what would happen to the above mentioned debtor under the Adjustment Bureau plan.

Let us suppose that the debtor, realizing that he is losing ground, goes to his chief creditor or writes him and intimates that he is becoming discouraged. I am presuming that this creditor belongs to the Adjustment Bureau; has signed the by-laws of the Adjustment Bureau which provide that whenever a member discovers that a debtor is insolvent he must immediately notify the secretary of the Adjustment Bureau; furthermore he has agreed by the signing of these by-laws not to take any separate action along the lines of attachment or special security without first giving the other creditors, through the Adjustment Bureau, an opportunity to adopt the same course. Therefore the chief creditor after talking the matter over decides that the debtor should meet his creditors.

The secretary or manager of the Adjustment Bureau is notified and he calls all of the creditors together and calmly they talk over the situation. If there are a great many creditors, then a committee of three or four of the chief creditors is appointed with power to act, and the foreign creditors are at once notified. The secretary or manager is always an ex-officio member of the committee; he has always to bear in mind that he represents the absent creditors whether resident or non-resident and must at all times uphold the honor of the bureau.

The next step will probably be to send an adjuster to take a financial statement off the debtor's books and if necessary to inventory his merchandise, for this is always advisable.

The committee will then come together and re-analyze the case in hand. Perhaps it finds that although the debtor is badly involved, if he is given an extension of time he has good prospects of pulling out. The result is that the whole deal is thoroughly understood, confidence is restored, the debtor is given an extension of time, and pays 100 cents on the dollar, becoming in due time a good strong merchant.

On the other hand suppose that a creditor becomes uneasy and is not satisfied with the way things are going. Instead of suing or placing an attachment on the property and thus arbitrarily terminating a debtor's career, he notifies the manager of the Adjustment Bureau that he desires to have a meeting of the creditors of this debtor called. Without any commotion or confusion, at the appointed time the representatives of creditors arrive and the creditor's plans are made known. He explains that he has written to the party repeatedly, has drawn on him and the sight draft has been returned or there has been some other unsatisfactory experience.

The debtor is then called in, closely questioned and cross-questioned, and as a result a policy for the treatment of this particular case is adopted. If the meeting concludes that the time has come when some definite action should be taken, then an assignment is taken if possible, or if the debtor refuses to assign, then an attachment is levied, suit brought or a petition in bankruptcy filed. If an assignment is taken, trained men, skilled in the art of taking inventories and disposing of merchandise are immediately put on the job by the manager, and the best possible disposition is made in the open market of this man's merchandise; his accounts are collected and all available resources are turned into cash and placed in the bank to await four months' time limit if necessary to protect creditors, and at the expiration of this time the manager declares dividends pro rata to the creditors, deducting a small fee for handling the business, which varies according to the size of the claim from 1 to 6 per cent. In the disposition of the assets of failing debtors it has been the almost invariable experience that the Adjustment Bureau is able to obtain better returns than do trustees in bankruptcy and at much less expense. Frequently a store is conducted for a short period so that the business may be sold as a going concern.

Now contrast this plan with the other. In this plan you have held the assets together as long as possible. This has been possible because the little creditors were not afraid of being frozen out by the big creditors. They were either all members of the Adjustment Bureau or the reputation of the Adjustment Bureau was such that they knew absolutely that all would be treated fairly and alike. The debtor also has confidence in the Adjustment Bureau and is willing to abide by the decision of the committee appointed by the creditors, because he realizes that it has treated all alike, and cannot be accused of giving any preferences.

By this method you have given the debtor a fair trial, have had an opportunity to investigate the case impartially and if it is shown that the debtor has been honest but unfortunate he is given a release and no stains or suspicions are cast upon his character.

On the other hand if he is dishonest the bureau puts creditors in possession of all the facts, for the reason that it has sent an adjuster to take a statement from his books, and to inspect his affairs generally. This adjuster is trained in this line of work and always has an eye open for the crook. With the information which he brings to you, you are in a position to prosecute the debtor if you so desire and have the funds to do it with.

Now let me explain to you how the ideal Adjustment Bureau is organized and the plan it is worked on. The ideal Adjustment Bureau is governed by a board of directors. These directors are elected from among the jobbing and banking interests and are supposed to be men of high standing in the community. They in turn employ a manager who is paid a straight salary with no commission, carefully selecting a man who is well versed in credits, a man of sterling qualities, a man who has executive ability enough to run an institution of this character. This man is entitled to a good salary and he is worth it. He has an opportunity to earn it.

This man must be properly equipped with stenographers, bookkeepers, adjusters, etc., to enable him to give efficient service. In addition to this the bureau must have on its staff competent consulting attorneys, paid in salary and not by fees, men who can be called in at a moment's notice for advice. In this again the board must be very careful in its

selection, for its attorney and the secretary are the backbone of the Adjustment Bureau. If the board is unfortunate in the selection of these two men then there is a grave problem confronting them which should be bravely met.

Now I hear some of our friends, who have not been as successful as they would have liked in their Adjustment Bureaus, saying, "Yes, that is all right, that is the bright side of it; now let's hear something about the other side."

Very well, the first thing that you are confronted with is the desire on the part of some creditor to get a preference, if not over the local creditors then over non-resident creditors. Right here is where the manager must step in and preserve the integrity and dignity of the Adjustment Bureau, and if the manager is not capable of taking a stand of this kind then you might just as well lock up and quit.

The next trouble you will probably find will be that members will want you to undertake all sorts of collections. This tendency I advise against, although I understand some Adjustment Bureaus have a collection department in which they undertake to collect accounts on a 10 per cent. basis.

I repeat I do not approve of this plan or any collection plan by an Adjustment Bureau. The only collection work an Adjustment Bureau should do is that of collection for all creditors, whether resident or non-resident, represented or not represented and this should be done only after the manager has been instructed to do so by a meeting of creditors. In other words, in my opinion the work of our Adjustment Bureaus should be confined to the administration of the affairs of failing debtors.

The next trouble you will have probably will be a dispute between Adjustment Bureaus as to which bureau shall handle a given case. This has been very nicely settled on the Pacific Coast and in other parts of the West and South by permitting the first bureau getting the case to handle it. If it is afterwards found that another bureau, even though more remotely located from the scene of the failure, has a majority in number and amount of claims it may take the handling of the case, if it will re-imburse the first bureau for all expenses incurred up to the time of the transfer of the case. In addition to this, zones have been mapped out for each Adjustment Bureau in order to help in determining which bureau shall handle a given case.

Of course, this plan can only work successfully where all Adjustment Bureaus competing for the business have a reputation for doing good work. Naturally a good Adjustment Bureau would not step aside and permit an incompetent Adjustment Bureau to handle an important case, even though it might be closer to the scene of action and in a position to do the work more economically from that standpoint. This but emphasizes the fact that we must not recommend Adjustment Bureaus unless we know that they are competent and qualified to handle the business entrusted to them.

Still another trouble that arises is that many times a debtor is given an extension, and a representative of the Adjustment Bureau is put in charge of the store for the double purpose of straightening up the debtor's affairs and coaching him along lines of up-to-date business methods. During the time that the store is working under this extension a tendency upon the part of some creditor belonging to the bureau that has this particular case in charge, may exhibit itself to monopolize all the purchases in his line of this business. This is a point that must be guarded very

carefully. The manager must instruct the adjuster to make his purchases pro rata as nearly as possible from the creditors interested and to take on no new accounts without first consulting the manager and members of the committee.

In the best organized Adjustment Bureaus the members of the administration staff are merely instruments to be used by committees of creditors having in charge particular cases. The creditors appoint a committee to handle the given case. In this way the credit men are themselves to blame for any criticism that may be made of the Adjustment Bureau's method of handling the case.

It can safely be said that as the creditors are more interested than any others in getting good results, more care will be taken of each case than if it were in the hands of a stranger. The experience of the officers of a Bureau obtained in the handling of cases makes them invaluable advisers of these committees. But the handling of the case by the creditors themselves forestalls adverse criticism.

In presenting my subject I have endeavored to trace the practical workings of a successful Adjustment Bureau for the benefit of those who are not familiar with its operations and have had no opportunity to come in direct contact with it. I am aware of the fact that the details I have given will not fit all cases nor apply to all cities. In the great jobbing centers claims must be forwarded and these merchants can not take direct control of the business of the debtor, but must depend upon the persons at the seat of trouble.

I have heard a member from New York maintain that Adjustment Bureaus are impracticable in that city. That is true if these bureaus were organized on any hard and fast lines, but I call attention to the fact that in all these large centers merchants do co-operate for their mutual interests in credit matters.

The wholesale jewelers, the manufacturing jewelers, the boot and shoe dealers, crockery, stationery, furniture, hardware, clothing and many other lines, have their boards of trade, which are very similar to our Adjustment Bureaus. Why should they not affiliate with us on the plans we are working on?

The field of work is a vast one and the officers of this Association have a great task before them, but I feel positive that the Adjustment Bureau is to become one of our great commercial institutions.

I can not in this short paper go into details as to methods, but those who deny the practicability of bureau plans, I am persuaded have never given the question the careful consideration it demands.

One reason why the Adjustment Bureau has not advanced as it should, is because we have not all been working on the right plan. The directors of the National Association of Credit Men, through their Adjustment Bureau Committee, should establish a standard and insist that all Adjustment Bureaus that wish to do business under the endorsement of the National Association of Credit Men shall measure up to this standard.

Any abuses of confidence on the part of Adjustment Bureaus should be subjected to rebuke by the Adjustment Bureau Committee of the National Association of Credit Men and in extreme cases it should have the right to withdraw the endorsement of the National Association until the policy of the offending Adjustment Bureau has been re-adjusted to measure up to the standard demanded by that organization.

We can not hope to compete with first class lawyers working in con-

junction with first class collection agencies until we have something better to offer to the credit men of the United States. There is no use fighting the lawyers who make their livings by collections. They will always have their proper sphere to work in.

We cannot ask a live and up-to-date credit man not to collect his accounts when he can or in any manner that he can; but we can ask him to agree with us, for his protection and our own, that when a debtor is in an insolvent condition, he stand with other creditors for the preservation of the assets and the elimination of expensive methods of administration and distribution of these assets.

Let no one make the mistake in thinking that I do not properly estimate the value and importance of the bankruptcy act, nevertheless I speak from absolute knowledge of the working of a successful Adjustment Bureau, and I say to you that in my opinion the most important work before this Association for the next five years, is the organization and perfection of great co-operative means for the preservation of the assets of failing debtors. The merchants themselves must take over this branch of credit work and when they do, there will be saved to them millions of dollars per year that now goes to waste.

The Adjustment Bureau has come to stay, and those who have knowledge of the results obtained by successful Bureaus, are surprised that all credit men should not at once join in the nationalizing of these institutions so that their reputation in the mercantile world shall be such that merchants will at once, upon request, place their claims with us whether or not members of our Association. (Great applause.)

Mr. John S. McCay, Philadelphia—I move that at its early convenience the National office present this paper in the BULLETIN with a footnote appended, in which it is urged that accounts sent to attorneys be sent with the condition offered by the Adjustment Bureau Committee, to the effect that the account is sent to the attorney with the understanding that in case insolvency occurs, the creditor reserves the right to withdraw the claim.

Mr. E. F. Sheffey, Lynchburg—I move that this address be printed in pamphlet form and be so distributed in addition to being printed in the BULLETIN.

Mr. McCay—I withdraw my motion and second Mr. Sheffey's motion.

Unanimously carried, and so ordered.

President New—We will now receive the report of the Committee on Credit Department Methods. In the absence of the chairman of the committee, Mr. Alexander Wall, of Milwaukee, Mr. J. L. Klingler will present that report.

Report of Committee on Credit Department Methods

Your Committee on Credit Department Methods was late in receiving its instructions and for that reason has limited its activities to only three or four features of the work that comes rightly within its sphere of action. It has done this and has also attempted to start a system for future committees in this particular field, aiming at continuity of action from one year to another. With this in mind it has had bound such letters, referring to its activities, as have come into the hands of the com-

mittee and has placed them, together with a duplicate of this report, in the hands of the secretary for the use of the next Committee on Credit Department Methods. We hope that future committees may see the benefits connected with this system and continue in this way to transmit from one committee to its successor, the threads of the work in hand, thereby making a consecutive attack on our problems much more easy.

A resolution was adopted at our last convention requesting the local associations to form committees to correspond in their activities with the various national committees. With this action in mind your committee sent a circular letter to all the local associations asking for the names of the chairmen of the local Credit Department Method Committees. In response to this letter fifty-nine replies were received of which twenty-nine stated that no such committee existed. Your committee feels that this condition reduces the force of any national committee because of the greater difficulty in securing active local co-operation.

In this connection your committee makes bold to offer for your consideration a plan to bring before your conventions the product of its successors' activities in a more concrete and predigested manner. Your committee suggests that all the local associations be requested to appoint a local committee on Credit Department Methods and that a representative of this committee be one of the delegates to the annual convention whenever possible. Your committee further suggests that the chairman of the Credit Department Methods Committee of the National Association be instructed by your future presidents to arrange for a meeting of representatives of the local committees on Credit Department Methods attendant upon any convention. At this time the report of the committee to be presented to convention should be read and a supplementary report compiled containing the results of any discussion that may arise; this supplementary report then to be brought before your convention as an appendix to the regular committee report and half an hour left open for discussion and a symposium on credit department methods. We believe that this would open the way for greater activity in the field of this committee and assist in bringing before us a greater and more exhaustive examination of credit department methods.

With this in mind we offer the following resolution:

"Resolved, That this convention requests every local association to create a local Committee on Credit Department Methods and that each local committee elect one of the delegates attending any future convention to be its representative in a symposium on credit department methods conducted under the auspices of the Committee on Credit Department Methods of the National Association, and be it further

"Resolved, That the minutes setting forth the deliberations and decisions of such symposium be attached to the regular committee report as a supplement thereto and read as such for action before the convention."

A resolution was passed at Minneapolis asking that our association seek the co-operation of the American Bankers' Association in perfecting a plan whereby collections might be handled more satisfactorily. Your committee has been in correspondence with the secretary of that association. He has been supplied with a copy of our proceedings at Minneapolis and also with a copy of our resolutions. These have been laid before the executive council of that body and your committee feels assured that hearty co-operation will be the result. In this matter we offer the following resolution:

"Resolved, That the incoming Committee on Credit Department Methods be instructed to continue negotiations with the American Bankers' Association looking to the improvement of the existing methods of collecting accounts by sight draft."

The question as to whether or not to charge interest on past due accounts was left an open question at Minneapolis, being referred to this committee for further consideration.

After the organization of the committee a circular letter was sent to all the local associations asking them to take up the question in their local meetings and report what the temper of their association might be. The replies to this letter were distinctly disappointing to your committee in that only twenty-five replies were received. Of these, sixteen were in favor of making the charge and nine stated that no action had been taken but that your committee might expect a further report. Your committee has, however, received many personal opinions on this matter and believes firmly that, as a matter purely of fair play, this charge should be made. Any dealer takes his discounts for cash and thinks he is receiving little enough. As a matter of equity he should pay the regular interest carrying charge. If he does not, the seller will have to carry his loan at the bank for a longer period and pay the interest himself. Your committee does not think that this latter plan is ethically good even if the interest paid is charged to advertising for business, because it tends to create loose business methods and extend credit to weak people whose methods of business need stimulus rather than relaxation.

In this connection we offer the following resolution:

"Resolved, That this convention commends the charging of interest on past due accounts, and be it further

"Resolved, That the convention recommends that where discounts are allowed as a bonus for prompt payment and a notice so stating is sent, that a like notice be sent to the effect that interest will be charged if the account becomes past due."

A very interesting booklet issued by the Portland Association of Credit Men entitled "Credit Department Forms and Methods," has been brought to the attention of your committee and a copy attached to our bound report. It has been suggested that this should be expanded into a work of national scope. In this your committee entirely agrees but does not think that it should be undertaken by any committee of only one year's standing. With this in mind we offer the following resolution:

"Resolved, That the president of the National Association of Credit Men appoint a special committee of three to undertake the preparation of a book on 'Credit Department Forms and Methods,' similar in idea, but of larger scope, than the book issued by the Portland Association of Credit Men, and be it further

"Resolved, That this committee be appointed to hold office until the next convention when it shall make a preliminary report, covering the methods of publication and method of financing such a book, and that if the general plan is then ratified by the convention the same committee be appointed for another year and instructed to compile and publish such a work, and be it further

"Resolved, That the sum of fifty dollars be set aside for the expense of this committee during the first year."

A recent case dealing with the rendering of a false statement for

the object of obtaining credit has brought up the matter of the advisability and necessity of keeping the envelopes in which statements are received. In this matter your committee presents the following resolution:

"WHEREAS, It is deemed necessary by some to preserve the envelopes containing statements used to secure credit extensions, be it

"Resolved, That the incoming Committee on Credit Department Methods be requested to make a special investigation of this question and draft recommendations covering this condition for consideration by the next convention."

Your committee fell heir to the following resolution passed at Minneapolis:

"WHEREAS, The number of failures among retailers which can be traced to their lack of proper books, resulting in dead stock and dead accounts, is extremely high and constantly increasing, and the situation is considered of sufficient gravity to demand careful investigation; be it therefore

"Resolved, That a special committee of three members be appointed, fully empowered to conduct the required investigation and to devise means whereby this Association may be best enabled to improve existing conditions."

Your committee was considering how it could best carry out the spirit of the resolution when it was informed that \$250 had been placed at its disposal for prizes for a thesis on some subject of interest to credit men. Your committee at once conceived the idea that this resolution could be made the subject of a thesis competition and communicated with your president and secretary. Unfortunately press of work on their part made it impossible for an immediate reply and although they both concurred with the general plans of your committee it was deemed to be too late to undertake such a competition this year. Your committee feels however so keenly that this would make so exceptionally an appropriate subject for thesis work that it offers the following resolution:

"Resolved, That the National Association of Credit Men offer \$500 as prizes for the best theses covering a thorough exposition of a simple and effective method of bookkeeping and accounting for retailers, subject to the following devision of the prize money and rules for contestants:

RULES.

1st. The prizes shall consist of

1st Prize	\$250.00
2d Prize	150.00
3d Prize	100.00

2d. Competition to be confined to members of the National Association of Credit Men and their employees.

3d. Every contestant to enter his or her name as a contestant with the secretary of the National Association of Credit Men before December 1st, 1912.

4th. All manuscript to be in triplicate and typewritten on one side of sheets approximately 8½ by 11 inches.

5th. A full set of all forms to accompany each copy of the thesis. These may, however, be on a reduced scale and in skeleton

providing a notation is made as to the size and shape meant for actual use.

6th. No thesis of less than three nor more than six thousand words to be considered. This is exclusive of forms, which must be attached at the end of the thesis in a manner to make them easily available.

7th. All theses submitted to become the property of the National Association of Credit Men whether awarded prizes or not.

8th. All theses to be signed by a pen name and in no instance by the writer's real name. All theses to be accompanied by a sealed plain envelope bearing on the outside the pen name alone and having enclosed a card bearing the pen name together with the real name and business address of the writer.

9th. All theses to be sent to the secretary of the National Association of Credit Men not later than midnight of March 1, 1913, and any bearing a later postmark not to be considered.

10th. The president of the Association together with the secretary and chairman of the Credit Department Methods Committee to appoint a committee of three to act as judges of this contest, each appointing one judge.

11th. Formal announcement of the winners of contest to be made at the annual convention in 1913 and the prizes then distributed. A preliminary announcement to be made, to such contestants as shall enclose a stamped self-addressed envelope with their original entries, in ample time so that winners may attend the convention if they wish, same to be accorded the privileges of the floor in any discussion of this question.

12th. Prize winning theses to be published in the BULLETIN of the National Association and each prize winner to be provided with twenty reprints upon request.

13th. The system proposed to be general in its nature and not limited to any one line or class of business.

14th. No contest to be held unless at least fifteen persons signify their intention of competing."

Your committee feels that this question is of enough importance to warrant an expenditure of the amount, especially as no money was spent this year on thesis work. If a really good system can be evolved it will work almost incalculable benefit to us as credit men and will be a work of decided practical accomplishment to our Association.

In closing your committee wishes to thank our secretary for his whole-souled enthusiasm and co-operation in its work and asks that he put before you for action the various motions and resolutions embodied in this report.

JOHN L. KLINGER,
H. M. SILBER,
E. C. WELBORN,
A. P. WETTSTEIN,
ALEXANDER WALL, *Chairman*.

John L. Klinger, Milwaukee—I move the adoption of the report.
Seconded by Mr. Adolph Landauer, of Milwaukee.

President New—The convention has before it the report and resolutions thereunder. It is moved and seconded that the report and resolutions be adopted. Is there any discussion or do you wish to have resolutions considered singly.

Mr. H. J. Thomas, Denver—I am very much in favor of some of the resolutions, but not all. I do not believe that this Association should undertake to do kindergarten work. This particularly applies to the retail stores. I believe that they should consider the bookkeeping department



R. P. CROCKETT
Murray-Dibrell Shoe Co., Nashville, Tenn.
Director

of such importance that they will employ competent men to do this work, rather than have it done by the National Association. I will vote in the negative on this recommendation.

Mr. B. J. Fisher, New York—I wish to reply to the speaker with reference to the kindergarten element creeping into the report. I want to say that I disagree entirely with the previous speaker. I believe that it is of the utmost importance to the retailers of the country to have a uniform and thorough system of bookkeeping, because that is one of the

main principles considered in determining the propriety of extending credit. If we teach the retailers what it means to keep books, it will mean the elimination of a great many abuses of the retail trade. We must realize the necessity of working hand in hand with the retailer in order to be successful ourselves.

I do not agree with the suggestion to set aside \$500—it seems to me exorbitant and unnecessary. I should think that the members of this Association should be sufficiently interested in the questions proposed to be willing to submit their various theses without any prizes whatsoever; and the committee can select what they consider the best for the general use of the trade. In that way you can save a large sum and at the same time serve the purpose which has been so well stated by the Credit Department Methods Committee.

President New—We did not adopt the resolutions in their entirety, but are discussing the last resolution.

Mr. F. H. McAdow, Chicago—Eight to ten years ago this same committee of the National Association offered prizes for bookkeeping systems, and we received responses, and the systems then recommended were published in the BULLETIN and are now on file in the archives of the National office. It hardly seems to me that it is wise for us to repeat the same process. You may say these systems might be a little bit out of date; but it is possible for any one to buy today a good simple book-keeping or accounting system, just the same as other office facilities are bought. If we give good, elementary advice we can do more good than by offering prizes for competitive systems.

Mr. James E. Porter, Pittsburgh—I shall vote for this report for one reason if for no other: On the first page of the report you will find at the bottom: "This supplementary report should then be brought before your convention as an appendix to the regular committee's work, and as much time as possible should be given for discussion or symposium on credit department methods." It is the time for discussion that particularly appeals to me. You will notice that in the preparation of the program of this convention, if you will take the trouble to look it up, that we are allowed about six hours and a half for discussion and the hearing of the reports of the various committees of the Association, and six hours and some minutes are allowed for addresses of one kind and another and twenty minutes for prayer—not enough time for prayer. We have been behind on our schedule ever since we began—sometimes as much as an hour. Now, it appears to me that we are making a little too much of a literary society out of our conventions, and paying too little attention to the discussion of the various questions that come up before us. A great many of our members come a thousand miles to attend these conventions and spend half their time listening to addresses which they can read just as well when they get home. I do not wish to say a word in depreciation of any of the addresses—they are all excellent; I have enjoyed listening to them; but we have been obliged to cut off the discussion on almost every report that has been offered by the chairmen of the various committees, and I am going to vote for this resolution in its entirety, because I find in the report the recommendation that more time be given for discussion.
(Applause.)

President New—The question is still before us as to whether or not we shall vote on these resolutions separately. We are now considering the last resolution.

Mr. John Boyt, Des Moines—I believe with regard to the work of

this Association, we have taken up the matters of insurance, of bankruptcy, and such things, to our great gain. We have now come to credit department methods, a department of our work which is really building up a bulwark against insolvency. In regard to charging interest on past due accounts, and in regard to insisting on our debtors being insured and giving them advice with regard to companies, etc., and further with regard to their bookkeeping, I believe that in these ways we are building a bulwark against insolvency, and I would ask that these resolutions be passed as a whole.

Mr. Sam Blum, New Orleans—This is an age of publicity. I agree with the gentleman who has just spoken in regard to the reports submitted and read here today. What we want today is to educate the people we do business with. The place for us to spend money is in sending literature to the people we do business with, to acquaint them with the manner in which they should do business. It is true we get the BULLETIN and we read it; but we do not get in touch with the people we do business with; if we are going to arrange for any expenditures to educate the people we do business with, I think the money should be expended in such direction as will do the greatest good to the greatest number; that is the position we should take to meet and overcome, as far as possible, the ignorance of the people we do business with. (Applause.)

Mr. R. S. White, Chicago—I am very much interested in these resolutions. I think that we should act on the report and then on the resolutions separately. The last resolution carries provisions for premiums for theses, and should receive separate consideration. If money is available, I believe it should be spent in educational lines; but I am inclined to think that your theses will develop plans elaborately drawn out along the lines of the theories of public accounting systems—in other words, something that will be altogether unsuited to the general retail merchant. I believe we can go further in this direction if we want to undertake to furnish a text-book for the use of these merchants, by having a committee appointed to prepare such a text, and then use this money towards distributing it and securing the attention of the retailers. I believe that we need a practical text-book along these lines. The text-books as suggested by my associate, Mr. McAdow, provided by some of the commercial colleges, are good; at the same time they are elaborate, and of such volume that if you put them in the hands of the average retailer, you will confuse him from the start. I believe that the only thing we can do that will be practicable, would be to have a committee appointed that has had some experience or is in position to get the assistance of those who had experience in dealing directly with this class of people, and provide a text-book which instead of being a large volume, will be not larger than an ordinary issue of our BULLETIN, one that will be so simple in its wording that any man that you can get to give it a casual reading will see that it is practicable and an aid to him. Consequently I am opposed to the last resolution.

Motion made, seconded and unanimously carried to consider the report and resolutions separately.

President New—The secretary will read the resolutions separately.
First resolution read by the secretary.

Motion made, seconded and unanimously carried adopting the resolution as follows:

"Resolved, That this convention requests every branch of the Asso-

ciation to create a local Committee on Credit Department Methods, that each local committee elect one of the delegates attending any future convention to be its representative in a symposium on credit department methods conducted under the auspices of the Committee on Credit Department Methods of the National Association, and be it further

"Resolved, That the minutes setting forth the deliberations and decisions of such symposium be attached to the regular committee report as a supplement thereto and read as such for action before the convention."

Second resolution read by the Secretary.

Motion made and unanimously carried adopting the resolution as follows:

"Resolved, That the incoming Committee on Credit Department Methods be instructed to continue negotiations with the American Bankers' Association looking to the improvement of the existing methods of collecting accounts by sight draft."

The third resolution was read by the secretary as follows:

"Resolved, That this convention commends the charging of interest on past due accounts; and be it further

"Resolved, That the convention recommends that where discounts are allowed as a bonus for prompt payment and a notice so stating is sent, that a like notice be sent to the effect that interest will be charged if the account becomes past due."

Motion made that the resolution as read be adopted.

Mr. J. D. Faucette, Bristol—The resolution before us raises two questions. In the matter of interest in our section of the country where we do business in four different states, there is one state alone in which we can collect legal rate of interest on past due accounts. In the others we cannot. There is another objection to the demanding of interest on past due accounts, in that it is a good deal like fining a man for breaking an agreement. He thinks it is license to do it, if all that is at stake is his interest. There are men who will allow an account to run past due and feel that they have a right to do it, as long as they pay the interest thereon, and thus the collection of accounts is retarded. My own experience leads me to say that the only accounts on which you should attempt to collect interest are those that are very slow.

Motion carried and resolution adopted.

The fourth resolution was then read by the secretary.

Motion made, seconded and unanimously carried adopting the resolution as follows:

"Resolved, That the president of the National Association of Credit Men appoint a special committee of three to undertake the preparation of a book on "Credit Department Forms and Methods," similar in idea, but of larger scope than the book issued by the Portland Association of Credit Men; and be it further

"Resolved, That this committee be appointed to hold office until the next convention, when it shall make a preliminary report, covering the methods of publishing and financing such a book, and that if its general plan is then ratified by the convention, the same committee be reappointed for another year, and instructed to compile and publish such a work, and be it further

"Resolved, That the sum of fifty dollars be set aside for the expenses of the committee during the first year."

The secretary then read the fifth resolution.

Mr. F. H. McAdow, Chicago—The reports as printed here and as now being read seem to differ somewhat from the report of the committee that was read before us.

President New—The printed report with resolutions is official.

Motion unanimously carried adopting the resolution as follows:

"WHEREAS, It is deemed necessary by some to preserve the envelopes containing statements issued to secure credit extensions, be it

"Resolved, That the incoming Committee on Credit Department Methods be requested to make a special investigation of this question and draft recommendations covering this condition for consideration by the next convention."

The sixth resolution was then read by the secretary as follows:

"Resolved, That the National Association of Credit Men offer \$500 in prizes for the best theses covering a thorough exposition of a simple and effective method of bookkeeping and accounting for retailers, subject to the following division of prize money and rules for contestants:

(1) The prizes to consist of

1st prize	\$250.00
2d prize	150.00
3d prize	100.00

(2) Competition to be confined to members of the National Association of Credit Men and their employees.

(3) Every contestant to enter his name as a contestant with the secretary of the National Association of Credit Men before December 1, 1912.

(4) All manuscript to be in triplicate and typewritten on one side of a sheet which is to be approximately $8\frac{1}{2} \times 11$ inches in size.

(5) A full set of all forms to accompany each copy of the thesis. These may, however, be on a reduced scale and in skeleton, provided that a notation is made as to the size and shape meant for actual use.

(6) No thesis of less than three nor more than six thousand words to be considered. This is exclusive of forms, which must be attached at the end of the thesis in a manner to make them easily available.

(7) All theses submitted to become the property of the National Association of Credit Men whether awarded prizes or not.

(8) All theses to be signed by a pen name and in no instance by the writer's real name. All theses to be accompanied by a sealed plain envelope bearing on the outside the pen name alone and having enclosed a card bearing the pen name together with the real name and business address of the writer.

(9) All theses to be sent to the secretary of the National Association of Credit Men not later than midnight of March, 1913, and any bearing a later postmark not to be considered.

(10) The president of the Association together with the secretary and chairman of the Credit Department Methods Committee to appoint

a committee of three to act as judges of this contest, one judge to be appointed by each.

(11) Formal announcement of winners of the contest to be made at the annual convention in 1913 and the prizes there distributed. A preliminary announcement to be made, to such contestants as shall enclose a stamped, self-addressed envelope with their original entries, in ample time so that winners may attend the convention if they wish, same to be accorded the privileges of the floor in any discussion of this question.

(12) Prize-winning theses to be published in the BULLETIN of the National Association and each prize winner to be provided with twenty reprints upon request.

(13) The system proposed to be general in its nature and not limited to any one line or class of business.

(14) No contest to be held unless at least fifteen persons signify their intention of competing."

Mr. A. C. Ellis, Pittsburgh—The resolution reads, "competition to be confined to the members of the National Association." Does that bar the members of the local associations?

President New—It does not inasmuch as members of local associations are members of the National Association.

Mr. A. C. Carpenter, New Orleans—I move the tabling of the resolution just read.

Motion seconded, unanimously carried and ordered tabled.

President New—Somewhere in these New England states someone told me once that he ran across a grave over which was a tombstone bearing this epitaph: "Here lies a lawyer and an honest man." The gentleman who was walking from the cemetery with my friend said: "They must have been mighty economical in those old times when they buried two men in one grave." (Laughter.) But I will introduce a man who is a living embodiment of that epitaph, who is both a lawyer and an honest man, and who has exemplified this fact by his actions in every walk of life. He is known not alone in his home city. He is making a nation-wide name for himself. I take great pleasure in introducing to you Mr. Julius Henry Cohen, of New York, who will speak to you on the "Ethics of the Commercial Law."

Ethics of the Commercial Law

ADDRESS OF JULIUS HENRY COHEN, OF THE NEW YORK BAR.

Mr. President and Gentlemen:

I share the convictions of the gentleman from Pittsburgh who would like to have more discussion and less speechmaking in this convention. I should prefer for my own part to be down on the floor participating in the discussion of the practical problems that you are considering here. But may I venture to suggest to our Pittsburgh friend and to the rest of you who are weary of addresses, that what I have to say is in the nature of discussion, and that I shall not have the slightest objection to all the talk from the floor that you can give me.

The subject that I have selected to address you on is one which I am interested in by virtue of a duty I have to perform, as chairman of a committee of lawyers charged with the duty of reporting on my subject

at the next annual meeting of the Commercial Law League, and it is because of your relation to lawyers and some practical things that I regard of consequence, that your secretary and your executive officers have given me graciously this opportunity of presenting them.

Within the past decade there has been a marked change in the subject matter of topics discussed in magazines, in public addresses, and in after dinner speeches. We were a boasting people. We pointed with pride to the tremendous strides in industry we were making in our country. Our material progress we set forth in huge statistics. We resented criticism of our methods. We were the leading nation of the world. But in a decade many things have happened, and the text of public addresses today is a new one. As Americans we were proud of our *rights*. This glorious country existed for the exercise of the "right to life, liberty" and the "pursuit of happiness." But now we are concerned about *duties*. We are considering the duties of great aggregations of wealth toward the government; the duties of the government towards its people; the duty of the people towards their government; the duties of the employer towards his workingmen; the duties of the workingmen towards their employer, and the duties of both towards the state. We are even considering the duties of the courts to the people and to the state. In short, our ethical notions of the relationship between various parts of society are undergoing revision. There are those who tremble while the change is under way. There are those who fear lest democracy break under the strain. But the student of morals and of history sees in all of this the stream of moral conscience forcing its way into newer formulations of ethical obligations. Already it is observable that emphasis is placed upon *duties* rather than upon *rights*, and the thoughtful observer of business finds everywhere evidence that the fundamental basic idea upon which emphasis is laid is *service* rather than *selfishness*.

In such an era of critical re-examination of standards, and of analysis of relations between various groups in society, it is inevitable that there should be critical analysis of the relations between the lawyer and the community. There is much criticism, there is much analyzing. Some of the criticism is justified, some of it is not. Some of the analyzing is imperfect. Today let us consider for a few moments only one aspect of the large problem of the relations between the lawyer and the community. That aspect deals with the relation with which you are most familiar—the relation between the commercial lawyer and his client.

Looking at it broadly, one may say that it was to be expected that there should be higher standards of efficiency in the practice of law as higher standards of efficiency came into the business world. Economy in the management of the business of the law office would inevitably come to be regarded as a necessary condition to the modern practice of commercial law. But as the weeds come with the grass, so in every generation comes into every profession, practices that make for destruction rather than for growth.

In a recent conversation with a business friend, I ventured to suggest that he could not produce an example of any other trade or profession where the trade or profession itself undertook to formulate codes of ethics for the conduct of those engaged in it, and undertook, further, to disgrace those who were guilty of violating these codes. My friend answered by saying that it was proper that the profession of the law should be unique in the respect of establishing codes of ethics, and in enforcing these codes upon the members. "For," said he, "every privilege

carries with it concomitant obligations." The lawyer occupies a unique and unusually privileged position in the community. He is chartered by the judicial power of the state to do that which no other man is permitted to do. Your very best friend may be your most faithful adviser, be most eloquent and able in the presentation of your case; yet if he have not the sacred privilege of practising before the court he will not be permitted to present your case. Therefore, *Noblesse Oblige*. The first practitioners at the bar were men picked by the king, selected because of unusual and exceptional merit and character to follow his court and aid in the administration of justice. From the days of William the Conqueror down to the present, the lawyer belongs to an aristocracy chartered and governed by the judicial arm of the state. It is right, therefore, that lawyers should have codes of ethics; it is right that they should enforce these codes of ethics; and it is right that these codes of ethics should be based upon a fundamental conception that the lawyer, occupying a position of special privilege, assumes obligations restricting his activities.

Now, it was inevitable in the development of our country that the cases with which the lawyer dealt should change in character; that with the introduction of credit systems should come abuses of credit, lapses and default in the fulfilment of obligations. In times of stress, when men must postpone payment of their obligations, delay is valuable. The old practitioner in commercial law was versed in the law of negotiable instruments, in the law of sales, in the law relating to the titles to personal chattels. But with the introduction of the National Bankruptcy Law, a new method of liquidating the affairs of an insolvent was introduced, and this method brought with it new situations. *Co-operation*, rather than *advantage*, is the principle to control the conduct of the creditor. The law prescribes a rule of conduct that had been the rule in courts of equity for centuries—"Equality is Equity." Sometimes "equality" is not always equity; nevertheless it is the fundamental basic principle of the National Bankruptcy Law that all creditors shall be treated alike. Now, it is familiar history to you that under state insolvency laws, many practices grew up that were unfair, and that in many cases were worse than bad. And these insolvency conditions produced standards of practice in the state courts that brought the insolvency laws of the country into disgrace. The National Insolvency Law came in to stop and prevent such abuses. But no law can reform an entire people, even in half a century, and the enforcing departments of the country have not officers sufficient to secure the uniform application of those moral standards that are imposed upon laymen and lawyer alike by the National Bankruptcy Law. It was inevitable that some of the practices that had been developed under the state insolvency laws should find root in the bankruptcy law and there grow. No legislation can be automatic in the enforcement of the standards it seeks to impose, and if abuses such as we have observed in the administration of state insolvency laws are making headway under the administration of our National Bankruptcy Law, is it not our business to study these abuses, to ascertain their causes, and to seek their elimination? I approach the subject today, not from the point of view of the business man; I approach it from the point of view of the lawyer. There is no branch of the law that requires wider training, deeper knowledge, more thorough study, and more infinite patience, than that practice that we call "the practice of commercial law." The practitioner must know something about every business, and must thoroughly understand the principles of law underlying and applicable to them all. He must be

ready to turn his mind upon new groups of fact. He must have the talent that analyzes, and he must have also the talent that constructs. He must lead in the formulation of new legislation. He must be as ready to turn to the handling of an industrial dispute involving the employees of an entire industry as he is to develop a system of arbitration for merchants, or prosecution for fraud. Such a practice calls today for the keenest intelligence, the highest moral purpose, the greatest breadth of thought on all subjects cognate to commerce and industry. It is a practice that is worth a man's life. Any man should be proud to be a member of a profession engaged in such a work. Now, how can a man maintain the dignity of his calling and continue to maintain his own self-respect while practices persist, the only effect of which is to degrade and lower the profession?

These are the thoughts that led the Commercial Law League at its last annual convention to respond to the appeal of its president by authorizing him to appoint a committee to investigate into abuses under the bankruptcy law, and to recommend remedies. To this task the president called five men—two of them Referees in Bankruptcy, one a leader of the Washington bar, one a former Referee in Bankruptcy, and the speaker was made chairman.*

The committee has held many sessions, and has unanimously agreed upon a report which is to be submitted next month at the annual convention of the League at Colorado Springs. The report is brief and I will read it:

REPORT OF THE COMMITTEE TO CONSIDER ABUSES IN BANKRUPTCY PRACTICE AND TO SUGGEST REFORMS.

The committee is of the opinion that some of the existing abuses in bankruptcy practice may be remedied by the establishment of a tribunal composed of members of this organization, whose duty it shall be to receive and investigate complaints and take appropriate action thereon.

The committee accordingly recommends the appointment of a Committee on Grievances whose duty it shall be to receive all complaints made by members or non-members of this organization concerning matters involving the professional conduct of lawyers engaged in bankruptcy cases; to give ample opportunity to the person accused to answer the complaint; to hear and determine the matter and to publish the guilt or innocence of the accused. If found guilty, the committee should institute appropriate proceedings against him either in behalf of this organization or through the local bar associations. A bureau should be organized by the committee for the conduct of its business and it should have authority to retain an attorney to conduct investigations in its behalf and to appear for it in court whenever required.

In considering the question of professional conduct in bankruptcy proceedings the committee recommends the adoption and enforcement by this organization of the canons of professional ethics adopted by the American Bar Association and in addition thereto the following canons more particularly bearing upon practice in bankruptcy:—

*Julius Henry Cohen, chairman. Edwin G. Adams, David W. Amram, J. Howard Reber (ex-officio), and Harold Remington.

CANONS.

I. An attorney for a creditor or for a receiver or trustee should never divide fees with the attorney for the bankrupt.

II. No attorney should divide fees with a receiver or trustee in bankruptcy nor should he accept a share of commissions from the receiver, trustee or auctioneer, nor a share of fees from the appraisers.

III. No attorney should divide fees with his client. It encourages preferences disguised as fees to the lawyer.

IV. While co-operation among creditors in the administration of a bankrupt estate is highly desirable and may be conducive to efficient and economical administration of the law, the solicitation of claims by attorneys in order to file a petition or secure the appointment of a receiver or trustee, or to control the administration of the estate, results in lowering the standard of practice and is highly unprofessional.

V. Since petitions filed by creditors with the consent or upon the admission of the bankrupt (while recognized by the statute) often furnish opportunity for collusive concealment of assets, collusive sales, or unfair compositions, the attorneys for the bankrupt, the petitioning creditors, the receiver and the trustee should so conduct themselves as to give all creditors an equal opportunity to examine the books and assets and all information concerning the existence and identity of creditors and assets.

VI. The defense of a bankrupt gives his lawyer no special privileges. It is thoroughly reprehensible for him knowingly to suffer his client to commit perjury, or to continue to represent a client who commits perjury.

VII. The belief that some of the provisions of the law work injustice or unfairness cannot justify their violation by an attorney. He may work to amend the law but he may not violate it.

VIII. The use of criminal proceedings to extort a settlement is unprofessional. If restitution is to be made, it should be with the full knowledge and approval of the prosecuting officer.

IX. No attorney for a creditor, receiver or trustee should accept a fee or expense, payable by a bankrupt who has offered a composition or settlement, or from the person or persons who provide the fund to pay such composition or settlement, unless the amount of such fee or expenses shall be stated of record in the proceedings.

Your committee believes that rules should be adopted by the courts in various districts in order effectively to carry into practice the canons of ethics recommended.

At Colorado Springs, then, next July the commercial lawyers of the country will debate whether or not this report shall be adopted; whether or not the canons of ethics here proposed shall be ratified. What message will you send to the lawyers at Colorado Springs? Do you approve of this effort? Do you think that these requirements are needed? Do you think that the rules here set forth are founded in reason and good conscience? If you do, will you say so? Will you do more? Will you live up to the rules so far as you can, if they be adopted? These

rules cannot be carried into execution without the co-operation of the business men of the entire country. Take for example, the matter of the soliciting of claims. You could stop it yourselves without the aid of the Commercial Law League. Let every man in your Association agree never to retain an attorney who solicits claims, and the practice will be stopped over night. But if you permit it to be continued, of what avail will it be for the commercial lawyers of the country to condemn it? Unenforceable legislation has an educative value; but its influence is too slow in such a matter as this. Your structure may burn to the ground before you put out the flames.

Is it true that the blame for these abuses rests wholly upon the shoulders of the bar. Who is it that seeks illegal preferences? Business men cannot be divided arbitrarily into two classes—debtors and creditors. The debtor is a creditor, and the creditor is a debtor. The creditor today seeking to enforce the law may be the debtor tomorrow seeking to evade it. Complicity between layman and lawyer may estop each from criticising the other. But if we are earnestly striving to eliminate abuses, let us begin by meeting the facts squarely, and by recognizing that the lawyer and layman *both* must share in the criticism, and *both* must share in the constructive work. I believe in the national bankruptcy law. I believe that it is one of the most powerful and effective instruments for raising the moral standards of the business community of the whole country. It has already developed a fine spirit of co-operation throughout the business world. Your organization thrives upon the spirit of the law. Repeal it tomorrow, and there would be more independent action, more selfishness, more disregard of the rights of one's fellows in the same trade. I believe that abuses of which we complain are symptomatic of the sharp contact between the moral purpose underlying the law and the old insolvency evils with which it grapples. But this underlying moral purpose is not self-executing. It imposes on all who seek its benefits obligations of serious import. If you would preserve the bankruptcy law, eliminate the abuses. *To nurture your garden get rid of the weeds.*

If the commercial lawyers of the country come to the credit men in the country, if the bar through whom you act stretches out its hand to you who guide the business of the country, what answer will you make to its plea for co-operation in eliminating the abuses that have grown up in the practice of commercial law?

My address is finished, but there is one word I should like to add. I have just come back from the native city of your president, where there was held the national conference of charities and corrections, with representatives from all over the country, from the plains of the West to the seacoast towns of the East, and from the mountain peaks and from the valleys, and they discussed all the phases of the social problems of our day: the housing of working people, the living conditions of working people, the hours, the wages, child labor, venereal diseases, tuberculosis and all the problems arising therefrom; and throughout that conference there was one thing that any man with deep eyes could see and with fine hearing could hear,—that there was coming into this land a social conscience, a new spirit that society itself would express.

As I came down Boylston street from lunch, your president and I noticed that they were tearing down a church, but they were not destroying it; they were carefully marking each stone so that it could be fitted again, and we realized that that church was going to be moved

somewhere and re-erected. Is not that the job that we are engaged in—you credit men and we lawyers? We are taking the stones apart and we are putting them together again, perhaps with the old idea that we cherished gone; but some way on clearer land, with a broader outlook, we are putting that temple together and it is going to house the social conscience. (Applause.)

Is not that the work that you are doing, is not it the work that we are trying to do, and can we not do it without bleeding hearts and without tears, not with the joy of the warrior on the battlefield, but with the patience and the pains of the builder of temples? (Great applause.)

Mr. Charles Biggs, New York—After the address we have heard from the distinguished member of the bar who is with us, there is little occasion for comment. He has been most clear and explicit in setting before us not only the duties of his profession, but the duties that we owe as credit men to ourselves and our fellows.

Mr. Cohen has read us the canons of ethics that have been decided on by the committee of the Commercial Law League of which he is a member. If the canons are passed and lived up to, I can see before us a commercial millenium. (Applause.)

I desire, sir, to present some resolutions that have been formulated and I trust this great body will support them. If you will permit me I will read them:

"WHEREAS, The Commercial Law League has appointed a committee of five to consider abuses in the administration of the bankruptcy law, and to recommend remedies; and

"WHEREAS, The committee has prepared a report to be presented at the national convention of the league to be held at Colorado Springs on the 20th day of July, 1912; and

"WHEREAS, The said report has been read to us, the National Association of Credit Men in convention assembled this 20th day of June, 1912, by the chairman of the committee, now, therefore, be it

"Resolved, That we cordially approve of the efforts made by the committee of the league to solve the difficult problems committed to them; that we believe that the steps recommended by the committee are essential to proper administration of the bankruptcy law, and to the preservation of the highest standards of morality and efficiency in the practice of commercial law; and be it further

"Resolved, That if the canons of ethics recommended in the said report be adopted by the Commercial Law League at its convention in July, we, as members of the National Association of Credit Men, will regard such canons as representing the rules of conduct to be observed by lawyers generally practising in commercial law; and that to the full extent of our power we shall insist upon the observance of such standards by the lawyers whom we employ, and further

"Resolved, That a special committee of five be appointed by the president to consider the advisability of the formulation of canons of ethics for the government of credit men throughout the country in their dealings with each other and with lawyers, such committee to report at the next annual convention."

Mr. President, I offer these resolutions for adoption.

Mr. F. H. McAdow, Chicago—It seemed to me a glad day when

at the New Orleans convention, the president of the Commercial Law League addressed us in a most instructive manner, and at the same time in a tone that indicated a willingness to co-operate. I believe I am right when I say that attorneys are officers of the court in spirit if not in fact; and when we receive an offer of co-operation such as we hardly dreamed of in our previous struggles with these questions, I believe it is our duty to extend a similar offer of co-operation; and on behalf of the Chicago delegation I heartily second the motion to adopt Mr. Biggs' resolution.

Unanimously carried.

Mr. J. L. McWhorter, Nashville—I desire to move a rising vote of thanks to Mr. Cohen for the address we have just listened to. He comes to us as the representative of a great association, working along lines parallel with our own, an association which while not of us, has been working with us. I should be glad to see this convention extend to Mr. Cohen a rising vote of thanks for what we have just heard.

Unanimously carried by a rising vote amidst great applause.

Mr. Cohen—I accept the vote on behalf of the league, but understand, of course, that it is not a personal tribute.

President New—You all remember that in the days of Secretary Blaine was established the Pan-American Congress for the building up of our relations with the Central American countries. We are now to listen to an address by a representative of that congress. His subject is "What the opening of the canal means to the United States business men." On the opening day of this convention Mayor Fitzgerald told us what lies before us in the opening of the Panama canal and that we as credit men and business men should prepare for it. It was fitting that the officers in charge of that convention should conclude that we wanted knowledge at first hand as to what we can expect, and we were fortunate in securing Mr. Fortescue to address us. His subject will be: "Via Panama—What the Opening of the Canal Means to the United States Business Men." I take pleasure in introducing Mr. Granville Fortescue, Pan-American Union, Washington, D. C. (Applause.)

"Via Panama"—What the Opening of the Canal Means to the United States Business Men

ADDRESS OF GRANVILLE FORTESCUE, WASHINGTON, D. C.

I am here today as the representative of Mr. John Barrett, Director General of the Pan-American Union. Mr. Barrett sends heartiest greetings and wishes success to the convention of the National Association of Credit Men. Unfortunately, he was unable to attend, because he is at another convention which does not seem to be turning out very creditably for anybody. (Laughter.)

"Via Panama!" I give you the password that will open a great new-found field of trade to the American business man. In time this phrase will have become so familiar to us that it will fail in any way to stir the imagination. Yet the two words are of momentous import. They measure the world's progress during four hundred years and mark an event of more importance in the annals of industrial achievement than any other in history. The great dam which has checked and deflected the world's trade currents will have been broken down leaving

free the passage to those lands so long too remote from us. And I venture to say that the phrase will also signalize the beginning of a new era which will mean an even closer bonding of the states of the Union. The East and West of this great country of ours will be united by yet one other tie.

We must view the results of the cutting of the canal with that largeness of vision which will enable us to comprehend its national and international importance. We must give deep thought to the future. We must analyze the consequences of the opening of the isthmian channel from every viewpoint. And to do this intelligently we must know the canal, so I do not hesitate to say it is the duty of each and every citizen of the United States, who can afford the time and money, to visit Panama and, in the words of that trite business axiom, "do it now."

Every American who visits the Canal Zone returns full of enthusiasm and patriotism; enthusiasm for the vast possibilities that will come to this nation when the canal is completed, and patriotism born of a just pride that this epochal achievement is the work of American brains and American dollars. If I had my way, United States' Transports would carry cargoes of public school children to the zone until all the future citizens of this country would have had the opportunity of seeing for themselves this work of evolution in the progress of the United States.

The canal builders teach a lesson of incalculable significance. The cutting of the Panama passage from the Atlantic to the Pacific means the altering of the currents of civilization. Don't you think a work of that kind is worth going to see? Again I urge upon you the importance of making every reasonable sacrifice that you may view the canal in the making.

To receive the correct impression of what we Americans are doing in the way of altering the geography of the world the canal zone must be visited within six months. Later, much of the stupendous construction work will have been completed and when the waters of Gatun Lake feed into the locks, an area now alive with intensive energy will become again the brooding jungle.

It is not possible to foretell with absolute certainty what effect the Panama passage will have upon present trade routes, still we can foresee three very important modifications of the world's currents of commerce; first, that affecting shipping between near Europe and the far East; second, that affecting trade between the East and West coasts of the United States, and third, the creating of through shipping routes between eastern North America and western South America.

I don't see now just how we American business men are going to make anything on that near Europe and far East trade proposition. We will have to take a credit of altruism and be contented. It is a worthy indication of the unselfishness of the canal conception that the greater material benefits, at present, go to our European cousins.

The trade between the Atlantic and Pacific coasts is a matter entirely different in aspect, however. Here is our own exclusive, legitimate field. A combination, not of circumstances alone and not a "good" combination, has in the past made the east and west coast trade of the United States an impossibility via Panama. Now this is all changed. Already there has been a remarkable increase in business between New York and San Francisco across the isthmus.

The freight figures from the Panama Railroad books show us that in 1905, 349,989 tons was the total carried, while in 1911 it was approxi-

mately 500,000 tons, a long step forward, and this in spite of the many handicaps under which Panama freight is handled at the present time, such as inadequate dockage, transportation by night alone, and the preference given canal supply shipments.

It is not expedient for me to analyze the possibilities of the coast to coast trade, save in very general terms. There are so many factors bearing upon the success of new ventures that it would be a brave man, or a very foolish one, who attempted to lay down hard and fast rules for undertakings of this nature. Each individual will have to inform himself as thoroughly as possible in reference to the conditions and circumstances that affect his specific business, and then to subject this advance information to the acid test of the question—"Will it pay?"

As a matter of fact, the possibilities to be developed with the opening of the Panama passage, must be made matters of separate and individual study in every case.

If we, the people of the United States, are to profit to the fullness of our accomplishment, each citizen, no matter what his predilection or prejudice, must ask himself and answer the question, "What does the canal mean to me?"

There can be, however, co-operation of investigation. And it is in this matter that I would like to offer a suggestion to this organization, the National Association of Credit Men. I can understand that most of you are too much occupied with sure immediate concerns to give the necessary time to a personal investigation of problematical futures. Yet there can be no question of the increase of business that will come with the completion of the canal. Therefore, would it not be expedient for your board of directors, with your authority, to appoint a committee of one, or several, with power to make a first hand study of Panama canal commerce?

I would suggest that you engage a competent man and send him at once on a tour of investigation across the isthmus, then up and down the west coast of this continent. I don't see why this would not be in line with the special purposes of this Association. Your agent could make a detailed inquiry into credits, general and particular, as he found them in each country he visited, thus greatly to enlarge the sphere of usefulness of the National Association of Credit Men. Reliable information on Latin American ratings is at a high premium at present. I am convinced that your organization could take up and carry through a plan of this kind with many resultant benefits.

Now, let us study the effects of the eastern North America and western South America current of commerce. This current will sweep along our coast from Maine to Mexico, eddy among the Caribbean isles, pass through Panama, then become a flood of trade that will wash the west coast of the southern continent. You see how far-reaching in effect this new trade route will be.

I am perhaps wrong in classifying it as new trade route, for, as a matter of history, it is one of the oldest tracks that commerce has followed since the discovery of this continent. It is the identical route, save for its northern branch, that served Spain when that country enjoyed a monopoly of the larger part of American business. The enormous wealth that poured across the isthmus bound for the coffers of the King of Spain cannot be even approximately calculated. We know, however, that because of it the Iberian nation was the foremost of the world enjoying a period of success which it has never since equalled.

And Panama flourished extraordinarily, despite fever, plague and execrable climate. A great fair lasting forty days was an annual event which attracted merchants from every quarter of the then known globe.

The fame of wealth of that little section of what we now call Panama was such that it was known as Castilla del Oro—Castle of Gold.

I do not hesitate to prophesy a repetition of history that will bring the Caribbean countries again to the very forefront as commercial nations. The map shows us that these islands and the adjacent shores all line the high road of the world's traffic of the future. Three of the great staples—sugar, coffee, and cotton—form the basis upon which will be built the big business of this section in the future as it was in the past.

You can see how, in the natural course of events, an extensive inter-Colon and Caribbean shipping interest of much importance will develop.

Ships from every sea must stay their courses at the canal; therefore, Panama will become a distributing point for the produce of all the adjacent countries. It behooves the United States' merchant, banker, investor, or him whom we classify under the generic name "business man" to study this coming trade development with the closest attention. And here we have the crux of the whole question—a careful study of the traffic that passes through Panama. I have referred in general terms to the chances of augmenting the coast to coast business of the United States. Now, I will discuss an almost untouched field with which the Panama Canal will serve to place us in direct communication. The Pacific coast states of South America profit most from the joining of the oceans. These countries of great potential wealth have been living with their backs to the world, with their enormous resources lying fallow, while their more fortunate neighbors of the Atlantic seaboard have forged well ahead in industrial progress. But a new era is before them.

Roughly a ship steams 9,000 miles in going from Boston to Valparaiso today; when the canal is cut the all-water haul between the mentioned ports will be under 5,000 miles, a saving of 4,000 miles, which converted into dollars and cents, means a self-evident economy.

You see at once how the facilities of communication will be greatly improved. Let us examine into what those west coast countries have to offer those who would venture into these new fields.

In the first place, in spite of all the geographical handicaps, the five Pacific coast countries of South America have developed commerce to the annual value of \$300,000,000 today. That in itself is an indication of their possibilities. And it only wants the quickening spur of immigration to bring about conditions which would double this in ten years. Today there are ten people to a square mile in Colombia, 13 in Ecuador, 6½ in Peru, 3 in Bolivia, and 12 in Chile, and yet with this very scanty settlement their yearly commerce totals, as I have already said, \$300,000,000. It needs no prophet to foresee what will be the result when the tide of emigration from overpopulated Europe will be turned through the canal.

Let us take a brief examination of each of the west coast republics in detail. Colombia, the most northern, occupies as much territory as the four states, Texas, Louisiana, Kansas and Arkansas. Its yearly foreign trade is something over \$26,000,000, but little of which crosses the isthmus.

The great Cauca valley, said to be one of the most fertile regions in the world, lies stretched along the western section between two ranges of the Andes. When settled it will become a prosperous farming country.

Ecuador equals the combined area of Missouri and Arkansas, and does an annual foreign business of \$22,000,000, and should be famous as the place where Panama hats come from.

Peru, as large as Texas, New Mexico, Arizona, Nevada and Utah combined, doing over \$55,000,000 in foreign business each year, is eagerly awaiting the opening of the canal. The people, from the president to the humblest peon, are imbued with a strong feeling of friendship for the United States and, if you are interested in South America at all, here is where I would advise you to make your first market. You will find some Americans doing business down there already, who, if your interests do not clash, will be able to help you.

I must tell you, however, that you will find business rivals already on the ground. Our English and German cousins have long enjoyed a practical monopoly of the business originating in South America, therefore, be prepared for competition. But this competition should not frighten you. The United States will enjoy a great geographical advantage when the canal is finished, for that puts the American exporter in a superior position in reference to this particular field.

Actually the great manufacturing and industrial centers of this country will be thousands of miles nearer the west coast of South American markets than the producing zones of any possible rivals. This is a clear gain in time and money which can be so turned to account that it should more than counterbalance the superiority of positions now held by our European competitors.

But I do not lay so much importance upon your cutting into the commerce that is already existent, as I do upon the necessity of your so establishing yourselves that you will be in a position to control new business and promote new enterprises. Let us not look to the past, but to the future, and the future holds much for Peru.

I must recount a story, with a moral, that I heard while recently traveling through Peru. It will throw a light upon the reason of our backwardness in South American commercial fields.

The general manager of one of the most important railroads down there is an American. In fact, most of the railroad men there are citizens of our country. However, the railroads are all run by an English company and, as is to be expected, most of the contracts were placed in the mother country. The general manager, convinced that the United States product was the best and animated by a spirit of patriotism succeeded, after two years' talk, in persuading his chief to let a contract for passenger and freight cars to one of the large American car companies. Time of delivery and price were satisfactory, and represented a saving both ways on what the British bidders could do. Then our countryman began telling his English associates all about the superiorities of American built cars. Alas, his own people betrayed him. The cars arrived four months after the time stipulated and imagine the consternation of the general manager when he found that in the consignment the important item of wheels had been overlooked. He took the chaffing which he was subjected to with the best nature he could muster while the cars stood piled up around the shops, but he was rather discouraged at the result of his effort to turn a little trade towards his own land.

Let us treasure the lesson of this incident and not go and do likewise.

Now turn to Bolivia. This nation, which, unfortunately, possesses no port, covers a slightly smaller area than the western third of the

United States. It boasts of an annual commerce of about \$38,000,000. in spite of its land-locked position. I am glad to say that the United States enjoys the largest share of all Bolivian foreign business. It will be a surprise to any one acquainted with the resources of this country to hear that Bolivia supplies one-quarter of the world's output of tin, and you can understand the importance of this when you know that tin has been selling at a thousand dollars a ton in London during the past year. The mining industry of the country, however, has heretofore been carried along on old, inefficient lines, and it is only recently that the highly trained scientific mining experts have given this field any attention. The results are everywhere not only good, but the mines show an increased output, and abandoned properties have been again taken up and operated on an economic and efficient basis.

I was the guest of Mr. Knowles, the American Minister in La Paz, who, by the way, is a representative thoroughly worthy of his post. Mr. Knowles told me that he was the executor of an American citizen who had recently died in that country, leaving an estate valued at four hundred thousand dollars, most of which he had accumulated in Bolivia within four years. I do not say this is the common fortune of the seeker of wealth in that country, but only give it to you as an instance of what a shrewd, hard-working, thorough man of affairs can do on the west coast.

The Bolivians, as a class, prefer articles of American manufacture. They are imbued with the idea that our country produces nothing but the best, and it remains for us to continue to keep them prejudiced in favor of our American products.

Señor Patino, who is what would be called a "Tin King," has planned for himself a palatial residence to be built in La Paz, wherein nothing save American building and furnishing materials shall be used. This is an indication of how our products are appreciated.

Chile, which is the most southern of the Pacific coast nations, is also the most important commercially. They do two hundred millions dollars' worth of export and import business there every year; and I am sorry to say that the United States gets very little of that trade. The country is spread out over twenty-four thousand miles, but on the average is not over ninety miles in width. However, it contains within its limits an area almost equal to that of Texas and Louisiana.

We should be particularly interested in the economic development of Chile, from the fact that that country controls the nitrate output of the world. In the United States we have just learned the many advantages of this fertilizer, which has during the last thirty years put new life into millions of acres of land in Europe. You are all more or less familiar with what has been called intensive farming and the aims of the agriculturalist today. In a word, it is the principle of producing the greatest possible yield from a given acre. This question needs no discussion here, and I refer to it only because of its relation to the question of nitrate.

When the western farmer has had a demonstration of the value of this product, there should be an unending procession of ships laden with nitrate sailing from Chile, through the canal, landing their cargoes at the gulf ports. The burden of providing the shipments for the home voyages of these vessels will rest with the United States' producers.

It would be impossible for me in an address of this kind to go more completely into details. I only want to fix your attention on this section of the world, heretofore known to us in the vaguest way, so that your

interest may be aroused to take advantage of what the Panama Canal should bring to us.

There is another phase of this discussion of the results attending the opening of the Panama passage than that concerned with trade relations. We people of the United States stand in a peculiar relationship with the peoples of the countries of South America. Years ago this nation became the trustee charged with guarding the liberty of our Latin American neighbors against powerful and unscrupulous foes. The



H. E. SMITH
Columbus Merchandise Co., Columbus, Ohio
Director

necessity for that trusteeship has, to all practical purposes, ceased to exist; yet there remains with us a moral obligation to aid and counsel the other nations of this continent whenever they call upon us.

The Latin American problem is a very complicated one. It is a problem that will demand much study from those who direct the destinies of this country in the near future. There must be evolved a new Pan-American policy, and in the evolution of this new policy we citizens of

this, the first established republic of the western hemisphere, owe a particular duty to the people of the other republics.

This duty is to maintain an attitude of disinterested friendship in all our political relations with our neighbors. No matter what aggravating circumstances may arise, no matter how our motives may be misunderstood, we must commit no act or take no position that will lose us the confidence of the other Pan-Americans. I grant that it is difficult for the Anglo-Saxon and the Latin to find the plane of mutual understanding, yet this can be done, if both races are scrupulous in their regard for each other's point of view, and here is where the practical and the ideal should go hand in hand. In the course of time, communication with the Latin Americans will be much more simplified, and we will be thrown in closer business relations with them; therefore, let us not begin our study of their way of thinking and mode of living in a spirit of hostile criticism. Theirs is a development that has little analogous to ours; therefore, it is to be expected that there will be much difference in the standards of the two races. When you take up the study of South America, do it with that openness of mind that will not lead you into error. Do not be misled by the grossly exaggerated reports of conditions in Latin American countries with which our daily press is filled. I am afraid that in a great many cases the stories of "revolutions" are expanded in order to bring up the amount of "copy" and that they have very little foundation in fact.

We are wont to criticize the Central American States for the frequency of the disturbances within their borders, yet there has never been a revolution in any of those countries, since the time of Walker, but that United States' citizens were at the bottom of it; and I am sorry to say they frequently came out on top.

Many of you are acquainted with the Pan-American Union and its work. This institution, which is now established in the most beautiful building in Washington, possesses every facility for putting you in touch with the things Latin American. We are constantly called upon to answer questions ranging from the subject of Peruvian archaeology to the prospects of moving picture shows in Buenos Aires. We pride ourselves upon having all pertinent and practical information on Latin America.

If I have, in any way, aroused your interest in these great countries of the future, and you seek any further knowledge in reference to them, pray communicate with the Pan-American Union.

In the Pan-American Union we preach the gospel of the Americas, that peace and prosperity may reign in all the republics of the western continent.

There is a matter in which I want to ask the co-operation of this organization. Undoubtedly you are all cognizant of the discussion over the proposed Panama Canal tolls. Now, I am not going to inflict upon you a technical dissertation. I attended several debates in Congress dealing with canal tolls and I know their effect.

I want to ask you to pledge your various Congressmen to one agreement, however, which is:

If Congress decides to grant a preference to United States ships, in the matter of tolls, I want that advantage extended to the vessels sailing under the flags of all our Latin American neighbors. If there is to be a preference, make it a Pan-American preference—an all American advantage which shall benefit the shipping of this continent.

Such an enactment would do more to convince the Latin Americans

as to the sincerity of our avowals of friendship than any series of speech-making tours. It would be something tangible. It would be a casting of our bread upon the waters, and, believe me, we would be seven times sevenfold rewarded.

In conclusion let me again urge upon you the importance of informing yourselves most thoroughly upon all the intricate effects, both economic and political, that will operate with the opening of the Panama passage. I have predicted that this work will revolutionize our present trade relations, and I am sure that it will also alter, in many ways our political relations with the countries to the south of us. Let us then take heed against the time when this great change will be wrought. Now is the time we should prepare for Panama—and the future. (Great applause.)

Mr. F. H. McAdow—The address we have just listened to has been most interesting to us and I move a rising vote of thanks to the speaker who has made the presentation.

Motion seconded and unanimously carried by rising vote amidst great applause.

A recess was then taken until 9.30 o'clock A. M. of the next day.

FOURTH DAY

Friday, June 21, 1912

MORNING SESSION

President New called the morning session of the last day of the convention to order at 9.45 o'clock and called upon the Rev. Clarence A. Vincent, of Immanuel-Walnut Avenue Congregational Church, to make the invocation.

Secretary Tregoe—I would like to have the names of the state chairmen.

I have the following communication:

"It is with keen disappointment that I have to forego the pleasure of attending the session of the National Association of Credit Men. I fully contemplated going, but at the last moment found it impossible for me to attend. I realize the great benefit and good work being done by this Association and assure you that our local association will be pleased to co-operate with you in your efforts to improve conditions in the commercial world. With kindest personal regards,

Sincerely yours,

MARCUS W. JACOBI,
President, Wilmington (N. C.) Association of Credit Men."

President New—We will now have the report of the Committee on Mercantile Agencies, which will be read by the chairman, Mr. Charles Bayly, Denver, Colorado:

Report of the Mercantile Agency Committee

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN :

Your committee, due to office conditions, can present the activities of but a portion of the year, and the membership of the committee was so located, geographically, that conference other than by correspondence was impossible. Fully alive, however, to this department of our national work, and eager to render every possible service, all matters pertinent to the work of the committee have received thoughtful consideration, and have been handled with the sincerest expression of co-operation and equity.

Your committee is deeply convinced that the importance of efficient mercantile agency service as an arm of the credit department, has been steadily developing. Beyond dispute improvements have been accomplished in mercantile agency service through the definite efforts of our Association, and our efforts must not be relaxed, but as leaders in the work of safeguarding credits, we must continue to be genuine factors for progress.

The entrance of new elements into credit granting and differing conditions surrounding them call for an alertness and efficiency of service which should be conceded by the mercantile agencies without undue insistence or aggressiveness, for there is a mutuality of interest between the credit department and the mercantile agencies, which should develop co-operation between them and your committee pleads strongly for this

spirit, with the belief that the proper attitude on our part will be met by a similar attitude on that of the agencies.

LOCAL COMMITTEES

Your committee early discovered that but forty-two of our local associations were maintaining mercantile agency committees. This, in our opinion, is a mistake. Every local association should maintain a strong committee to treat promptly suggestions, complaints and conditions strictly local, arising in the relations between agencies and their subscribers. Every affiliated member should know that such a committee is at his call, and is prepared to act as the medium for transmitting information as to any peculiar conditions that can not be successfully handled locally, to the National committee and the National office, and through which also an immediate touch can be had with the managing officials of the agencies.

These local committees should be kept thoroughly aroused to their duties by the National committee and the National office.

COHESION

Your committee received the following criticism from several directions:

The work of the Mercantile Agency Committee of the National Association has not cohered sufficiently to bring about needed discernible results, that is, each successive committee followed its individual lines and failed to give the recommendations of previous committees primary consideration, and through this lack of cohesion, some recommendations unanimously adopted in convention were lost sight of.

Your committee considered this a criticism deserving consideration; and decided, therefore thoroughly to exhaust the resolutions adopted at Minneapolis as a part of the preceding committee's report before going into any matters at their own instance.

Agreeable to this decision, taking up the Minneapolis resolutions in the order in which they appear, the following is to be said:

ILLEGIBLE AND INACCURATELY WRITTEN REPORTS

Your committee advertised widely through the *Bulletin*, first-of-the-month letter and other channels, that any illegible or inaccurately written mercantile agency reports should be returned at once to the offices which issued them. The mercantile agencies concurred entirely in the fairness of this position. They of course claimed that in operating their large plants mistakes would occur, but said that rectification would be conceded.

An observance therefore of this suggestion should reduce mistakes to a minimum, and your committee is going to offer similar advice to our members during the coming year.

REPORTS FROM THE CREDIT DEPARTMENT ON DELINQUENT AND UNSATISFACTORY TRADERS

The credit managers of R. G. Dun & Company, as also of the Bradstreet Company held differing views upon the plan made by last year's committee under the above heading. The Bradstreet Company expressed entire willingness to test out the plan, preparing a form suggested by the committee which preceded this committee, upon which reports upon delinquent and unsatisfactory customers could be furnished the merca-

tile agencies. R. G. Dun & Company claimed that the plan had already been tested by that company and failed of success, owing to the lack of co-operation on the part of credit men. After some little conference, however, they agreed to give the plan another test, provided sufficient co-operation was assured on the part of credit men to justify the initial expense in preparing the form for these reports.

Your committee believes that real co-operation should be forthcoming on the part of our members in this matter, and decided that such declaration should be made at this convention. Accordingly, a resolution touching this matter will be offered at the close of the report.

TABULATION OF FINANCIAL STATEMENTS

The manager of R. G. Dun & Company claimed in conference that the financial statements furnished by their company were always tabulated. The general managers of the Bradstreet Company claimed that financial statements published by that company were tabulated whenever possible. It was pointed out that in some cases, however, information of an informal nature was received which was not susceptible of tabulation, yet the company deemed this information of value to subscribers even in its informal shape, and especially where the reporter's insistent demands had failed to secure figures that were susceptible of proper and systematic tabulation.

Your committee suggests that members be advised of these claims made by the two companies and that seemingly unwarranted exceptions discovered in the service rendered them be reported to the Mercantile Agency Committee of the National Association or to that of one of the local associations.

PARAGRAPHING OF REPORTS

Your committee met its most serious problem in the recommendation of the preceding committee regarding paragraphing reports. The two sides of the question must be honestly considered in order to be just and to secure the best that is obtainable. There will be, naturally, varying views as to the proper paragraphing of mercantile agency reports, and the general managers of the two large companies claim that no feasible plan had yet been presented to them. We shall not be harsh enough to say that this attitude on their part was arbitrary, and your committee reached the conclusion that this is an important matter to hand down to succeeding committees, and that a form should be evolved by them and presented to the mercantile agencies in conference.

One feature to be avoided is formalism, for while our credit managers for very obvious reasons naturally like short cuts, yet the value of mercantile agency reports may be depreciated greatly by the absence of that coloring in detail which a good reporter gives. Your committee has been assured that any definite form submitted will be thoroughly considered by the mercantile agencies, and it will recommend, therefore, that the incoming committee make this one of its initial considerations.

We would mention here that the Mercantile Agency Committee of the Youngstown association suggested a well worked out plan under this head, but it reached your committee too late for thorough consideration and for submission to the mercantile agencies. This form will be passed on to the incoming committee.

MERCHANDISE IN TRANSIT

Your committee was thoroughly and satisfactorily assured that the

"Merchandise in Transit" item is now omitted from the financial statement form of both R. G. Dun & Company and the Bradstreet Company. A personal inspection of the form sustained this assurance.

Passing from the resolutions tendered by the committee of last year at Minneapolis, your committee desires to present some lines of thought and incidents of our work arising within the short period of its distinct activities.

ANTECEDENTS

We believe that mercantile agencies, in the preparation of their reports and in their investigations, should now dwell more specifically upon antecedents.

The development of many channels through which ledger experience can be accurately acquired, and the number of commercial failures due to incompetence, inherited traits, etc., make it important that more should be known regarding the antecedents of a commercial trader, both as to personal education, fitness for trade, and the records of immediate progenitors.

It is the conviction of your committee that the devotion of specific investigations upon the part of mercantile agencies to this important feature will raise the value of commercial agency reports, and make them a more powerful arm of the credit department.

INSURANCE

Through the efforts of our Association, there is now a more genuine and intelligent interest in the fire hazard, protection and prevention, than has ever been known in the commercial world. The extension of credits cannot be safely divorced from an accurate knowledge of the credit-seeker's reasonable protection against fire loss, and the mercantile agencies in the preparation of their reports, should investigate this feature of the risk, both as to extent and character of protection against the fire hazard. Subscribers should insist upon this information, and bring to the attention of the agencies omissions wherever discovered.

We recommend a thorough dissemination of this suggestion among our membership.

THE FILING OF ENVELOPES WITH FINANCIAL STATEMENTS

Since the important case of Joseph R. Scheinberg, convicted for using the mails with fraudulent intent through a false written and signed statement, it is important that the envelope in which a financial statement is enclosed and transmitted through the mails should be attached to and filed with the statement, said envelope to have marked upon it the full name or initials of the party who received and opened the envelope, and the full name or initials of one other witness, and the date of its receipt. This is the important, indeed, the absolutely vital evidence in any prosecution under the section of the federal statute under which Scheinberg was tried and convicted.

ENDORsing MERCANTILE AGENCIES

Your committee has had to confirm the policy of the National Association relative to the endorsement of mercantile agencies in several instances during its term, where a disposition was manifested on the part of several of our local associations to endorse and recommend a certain agency to its membership. None of our national policies is more

important to the permanency and solidity of our work than protecting our name against use in advancing any commercial enterprise, and we urgently recommend that this convention reaffirm this oft-repeated policy so that embarrassment may be forestalled. The enduring attitude of the National Association of Credit Men, as we understand it, is "The endorsement of none, but the best service from all."

MERCANTILE AGENCY CHARGES

At the request of several of our members, your committee through the National office, has conferred with the managers of the larger companies relative to the increased charges for their service. This appeared to your committee as a rather delicate matter to handle, but as the mercantile agencies are in their nature, public servants and should have no hesitation, therefore, in explaining any advance in charges for services, the matter was submitted and cordially treated.

The claims were advanced that due to increased overhead charges, improvement in the character of reporters, and additions incident to general improvements of their work, it had been found necessary to advance the charges for their services. Your committee had no grounds whatever upon which to contest these claims, and simply submit them for your information.

CHARLESTON, W. VA., INCIDENT

Your committee was informed by the officials of the Charleston (W. Va.) association, that the service of one of the agencies in that city was not satisfactory and could clearly be improved. The attention of the managers of the agency at headquarters was brought to this complaint. The agency sent an investigator to Charleston, local conditions were looked into and improvements promptly made. Your committee was justly gratified over this result, indicating as it did what might be done if our members were all keenly alive to the importance of their personal part in this department of service, and what might be accomplished through local committees.

RATINGS AND DAILY SHEET

Your committee was advised from several directions that the discontinuance of the daily sheet was not favorably regarded, and that the ratings in the rating books of the leading companies were in many instances inaccurate and not brought down to the period of the publication or distribution of the rating books. Your committee was unable to go into these two complaints thoroughly, and can only touch upon them casually, asking that the committee which takes up its work look into these complaints carefully.

Finally, recognizing the essential importance to credit grantors of efficient mercantile agency service, and believing in the willingness of the leading mercantile agencies to introduce improvements and additions in their service with a view to making it conform to the actual needs of the credit department, and also for the betterment of our own mercantile agency committee work, your committee submits the following resolutions:

I

"Resolved, That each local association be urged to appoint and maintain an efficient Mercantile Agency Committee, such committee to serve

as a medium for handling local conditions and for co-operation with the Mercantile Agency Committee of the National Association and the National office.

II

"Resolved, That the Mercantile Agency Committee of the National Association, in conjunction with the secretary-treasurer, prepare suggestions for local committees for the development of local work, and issue same in a convenient form.

III

"Resolved, That it is the sense of this convention that a form of mercantile agency report in which proper and systematic paragraphing is observed, be prepared and taken up with the mercantile agencies, with a view to securing better arranged reports.

IV

"Resolved, That this convention reaffirms the approval of the Minneapolis convention of the plan to furnish mercantile agencies with reports on delinquent and unsatisfactory traders, and that credit men, members of this Association, be urged to furnish the agencies with these reports systematically and consistently when a form for the purpose has been prepared and placed with them by the mercantile agencies.

V

"Resolved, That the members of this Association, with a view to the gradual elimination of errors, and for the general good of the service, be urged to return at once to the mercantile agency issuing it any illegible and inaccurately written report.

VI

"Resolved, That this convention reaffirm the initial policy of the National Association of Credit Men to refrain absolutely from the endorsement of any mercantile agency or company, recognizing as its peculiar function that of demanding of all the best service possible, and that our local associations be informed of this resolution and urged to observe its spirit and intent.

VII

"Resolved, That the mercantile agencies and credit men be urged to devote more attention through investigations and the preparation of reports to the antecedents of traders, predicated this resolution upon the belief that such information is of growing importance to the credit department, and will vastly increase the value of agency service.

VIII

"Resolved, That the mercantile agencies be urged in investigating traders and in preparing their reports, to make special note of the fire hazard, both its extent and nature, and that members of this Association be urged to report to the mercantile agencies omissions from reports bearing on this point.

IX

"Resolved, That the mercantile agencies be urged to file with financial statements they receive through the mails the envelopes in which they

were enclosed and transmitted, and see to it that these are properly marked, so that there may be this important and essential evidence in any action that may be contemplated for the use of the mails with intent to defraud."

Respectfully submitted,

I. F. DOWNER,
THOMAS M. EARL,
WILBUR F. NELSON,
J. E. STOTLER,
CHARLES BAYLY, *Chairman.*

Mr. Bayly—I move that the report and the resolutions be adopted. Seconded and unanimously carried.

President New—Is there anything further to offer under the general subject of this committee?

Mr. C. C. Robertson, St. Louis—I desire to offer the following resolution:

"WHEREAS, In the past years there has been a lack of continuity in the work of the Mercantile Agencies Committees due to the short time that they are in office, and

"WHEREAS, There is a very urgent need of a thorough investigation of the lack of improvement in the service of the agencies, therefore be it

"Resolved, That the incoming president be requested to appoint as soon as possible after this convention a special Committee on Mercantile Agencies to be composed of five members; that this committee be instructed to take up the question of unsatisfactory mercantile agency service, making reports and recommendations to the National office as promptly as possible, and be it further

"Resolved, That the chairman and one member of the committee thus appointed be considered from the point of view of being especially eligible for reappointment the following year."

I would like to say in support of this resolution that we gather together each year and hear the reports of these committees. We have had reports, reports that have blossomed in the minds of our chairmen, but have been allowed to fade away as soon as the convention has adjourned. I feel sure that the trouble is that we have followed only a precedent that has been followed from year to year on account of the necessity of having appointees for chairmanships confirmed in October. You can be sure that this condition is very much appreciated by the mercantile agencies. It saves them from awkward explanations as to why they do not pay any attention to the requests of the Mercantile Agencies Committee and our Association. This brings us to the question whether we are in position to demand from the agencies an adequate return for the money that our firms expend. I claim that we are. We have made these agencies what they are, and I feel that we should be in position to demand from them a service that is a return for our firm's money.

Each year we issue our requests to the mercantile agencies, and what is the result? There is practically none. Here and there throughout the country there has been local improvement. But what one of our main requests has ever been carried out by the agencies? I have no patience with these statements of the mercantile agencies that we do not know what we want, that we are not a unit in our demands. I have letters in

my possession from credit men all over the country showing that we do know what we want, and what have we done? We have, as I say, passed resolutions and seemingly have not had enough nerve to carry them to a conclusion. I think that it is time that we either take a firm stand or else stop this agitation for mercantile agency improvement altogether.

If this is the condition you will ask what have we got to fall back on? If we have made these agencies what they are, what is to prevent our taking up a new field? There is a new agency started along the precise lines we have always demanded; in each point of it this agency followed and put into practice what we have urged; and if we have made other agencies, why can we not encourage this agency and put competition in the field that will help us secure what we want.

I feel if a committee is specially appointed for this subject, that something will be accomplished and something sound, and I move the adoption of the resolution.

Mr. D. G. Endy, Philadelphia—I hope this motion will not prevail. I feel personally that it is a reflection on our standing committee. I doubt very much that if a special committee or sub-committee were appointed, it could improve or do faster work. I hope the motion will not prevail.

Mr. C. W. Hughes, St. Louis—I have given this matter considerable thought and have come to the conclusion that the agencies expect the dissolution of the committee immediately after the adjournment of the meeting here; and for that reason they lay back on their oars and fail to fulfil any of the resolutions that have been passed by a convention. I have noticed for years and years that the incoming committee thinks it is not proper to follow along the lines that have been laid down by the previous committee; and for that reason they take up new issues, and instead of following up the ideas that have been endorsed by the convention, the committee simply passes them over. The old committee goes out of existence and the points endorsed by this committee and by the convention to which it reported are lost sight of. I think it is time that an auxiliary committee be appointed to follow up the good ideas that have been advanced and endorsed, and I second the motion to adopt the resolution.

Mr. Charles Bayly, Denver—I believe that the appointing of a special committee by the president of the Association would be discourteous to the standing committee which the new president will appoint, and I hope that this resolution will not prevail.

Mr. H. R. Bridgman, Buffalo—Just for information I would inquire why are not the standing committees appointed by the president immediately after the convention?

President New—As you know, we have fourteen committees and on these committees seventy men serve. Thought must be given to these appointments, and naturally we want to reach all parts of the country and it has been customary to wait until the summer to make the appointments. They are confirmed by the board the following September or October, and the new committee can not act until confirmed.

Mr. R. S. White, Chicago—Would it not be feasible for the Committee on Mercantile Agencies in particular to be appointed at once and confirmed before the final adjournment of the directors from this convention so that it could get immediately to work? It seems to me if that could be done it would serve all the purposes of this special committee, and in a much more orderly and direct method.

President New—Probably a request made by the convention would produce that result.

Mr. Robertson—That is my idea exactly. I suppose the board would endorse this special committee. It would just merely mean an appointment earlier than is possible under our constitution.

Mr. White—I move that the resolution as offered by Mr. Robertson be amended and that instead of a special committee the regular committee be appointed immediately and instructed so that it can go to work.

Amendment accepted.

Mr. Endy—Inasmuch as the committee which has just closed its service has done yeoman work and is familiar with what has been recommended at our preceding convention, why not keep the old committee in harness? That is the thing to do.

Mr. Bayly—That is very kind of the gentleman from Philadelphia, but I could not serve another term. As long as the St. Louis people have been very active in this line, they perhaps would be especially fitted for the work.

President New—The constitution says that all committees shall be appointed as soon as possible after the annual convention, subject to approval of the board. Your motion made as a request will bring about that result. If Mr. White will make such a motion it would serve the purpose.

Mr. White—I move that the incoming president and board of directors be requested to take action in the way of appointing the Committee on Mercantile Agencies during their meeting to be held in Boston immediately at the close of the convention.

Mr. Robertson—I accept that and withdraw my motion with the consent of the second.

Motion withdrawn with the consent of the second.

Seconded.

Mr. K. R. Taylor, Cleveland—I fail to see any courtesy intended by the gentleman who spoke first, and I am surprised that anyone has put that interpretation on his remarks. What the speaker was after was a continuation of a policy that will be more or less the same from year to year, so that we will not be going to Bradstreet and Dun with a different request every year, or through new representation every year. I am in favor of continuity of policy, not only in reference to this committee, but in regard to every committee and every line of work that this Association does. (Applause.)

Mr. Arthur Parsons, Salt Lake City—I feel that this is an important matter that is now before us. I know that these committees have a great amount of work to do, a great many propositions to consider during the year; and it does seem to me that it would be an advantage if we could have every committee appointed earlier and put in a position to commence work earlier than has been the rule hitherto. (Applause.) I realize also that the selection of proper, competent, efficient men to work on these committees is an important matter, and that the president and the Board of Directors should be allowed sufficient time to canvass the field carefully before they select the material at their disposal, so that they may secure men best suited for the different departments of work. I would suggest that the incoming president select his committees as early as possible, in order to avoid the delay that has usually occurred by holding the confirmation of the committees over until the fall meeting of the directors, that the committee selections be submitted by

mail to each of the directors for approval. In that way the president's committees could be confirmed and announcements made through the BULLETIN of their selection; and we would at once be in possession of the information, and the committees would be in a position to commence their work.

I therefore move that this be the method adopted in choosing the committees for the coming year.

President New—I cannot entertain that motion now. Mr. White's motion must be heard first. Mr. White's motion is to request the incoming president and the directors immediately to appoint the Mercantile Agencies Committee for the coming year, instead of waiting the usual time.

Motion seconded.

Mr. White's motion unanimously carried.

President New—We will now have an address on "Federal Incorporation." As you know, for the past five years our organization has interested itself in this question. It is bound to become a larger and larger question in this country; and I believe we are all interested in getting all the information we can upon it. We are fortunate today in being able to secure Hon. Ernest W. Roberts, member of congress from the seventh district of Massachusetts. Mr. Roberts is author of "Roberts' Federal Incorporation Bill," to which our report refers, and I am sure he will have much of interest to say to us on this question. I take great pleasure in introducing Mr. Roberts. (Great applause.)

"Federal Incorporation"

ADDRESS OF THE HON. ERNEST W. ROBERTS, MEMBER OF CONGRESS,
MASSACHUSETTS.

Mr. President, Ladies and Gentlemen of the Convention:

Someone has said that Boston is not a locality, that it is a state of mind. (Laughter.) I presume that accounts for the feeling of satisfaction and contentment which pervades Bostonians and makes them so satisfied with themselves that they are like the prominent citizen of that good old town who is said to have died and been translated above. After wandering about the pearly streets for some time this citizen was found standing dejected and disconsolate on a corner, and when asked if he did not like his locality and being told that it was heaven, he said: "Oh, yes, I like it, but it isn't Boston!" (Laughter.) Probably it is to imbibe that state of mind that has brought into our city this year the largest number, so I am informed, that has ever been gathered in a convention of the National Association of Credit Men. But it is possible that the numberless historical associations, the splendid geographic location and the magnificent suburbs may have had something to do with your coming; but whatever the cause which has brought so many particularly busy men from all over the country to Boston in this beautiful month of the year, we are glad to have you among us, and hope when you go away you will take with you that state of mind which is the pride and boast of Boston. (Applause.)

I am asked to speak to you about federal incorporation. Now, the president of the Association very kindly limits me to twenty minutes. You know when a member of congress gets on his feet twenty minutes is a pretty narrow limit for him to express an idea in. (Laughter.) I

am going to try, however, to give you a few of my ideas on this question within that period.

Most men in public life have a hobby and they are apt to ride it pretty hard, and if I appear to ride mine too hard I crave your indulgence, because of the well known weakness of men in public life. But I think it will be conceded by all that one of the greatest problems confronting the country today is the proper regulation of big business.

Those of us who are on the outside of the management of the great concerns of this country, with their enormous accumulations of money brought about by the business industries and activities in the last fifteen or twenty years, have a feeling that there is something or other wrong in the situation; and the question that is troubling not only men in big business, but the public men of the country, today is a solution of the situation as it confronts us.

Not many years ago, within the recollection, I should say, of the youngest of the members here—and, by the way, I want to express my delight at seeing so great a proportion of this big, influential organization made up of the young men—when I read “credit men” I rather had the idea that I should face the men who were old and gray in the service of the business, not the young live hustlers that I see here before me—but I must not forget that this is the day of the young man, and cease to be surprised when I find so many of them here—I say, within the recollection of the youngest of you men, the so-called swollen fortune in this country hardly reached six figures; but under the tariff policy adopted many years ago, the policy of protection, the industries of this country have thriven phenomenally. Whether or not the situation confronting us today is due to a tariff policy to a greater or less extent, the fact remains the country is so committed to a protective tariff that it is useless to look to a change of tariff as the remedy for the business conditions, and complaints that are before us. We may have a difference of opinion as to the degree of protection, but there is very little difference of opinion as to its principle.

Undoubtedly, when business was in the period of formation—and when I say “business” I speak of what is commonly termed “big business”—or, to be more explicit, the trusts, the monopolies, the gigantic corporations that control output or regulate prices of the great commodities and necessities of life—when those corporations were in process of formation, would undoubtedly have been the time to create legislation that would have controlled the situation; for we would not have been confronted as we are now with these problems that are taxing all our intelligence and industry in their solution. But you must bear in mind that in those days business was too much occupied in establishing itself to give much heed to what might happen in the future, and so there was no problem at that time. Who thought for a moment what would result from the enormous combinations that have taken place in the last ten or fifteen years? Who of us dreamed that the public would have been aroused by what they deemed exactions in the operation of some of these great combinations as to now insistently demand that their activities be regulated by a federal law? And yet that is the condition as we find it.

Therefore those who were in command in that formative period may well be excused for not having provided legislation to control conditions which were then developing. History will tell us that it is impossible to legislate except for things which are apparent and pressing

or which have all the probability of becoming apparent and pressing. That was not the condition then, but in the last twenty years there has been a tremendous change. The business of the country has grown by leaps and bounds; capital has been brought together in combinations unknown in the history of the world for magnitude, and we have got to consider and treat those conditions.

Now, we can enact, and the federal government has enacted, criminal statutes seeking the individual who was transgressing the criminal features of the law. But that is not what the situation needed then and it is not what the situation needs today. We want a law not to inspire fear in the hearts of the business man, but to inspire and induce his co-operation and his support. That is what is needed. (Great applause.)

The experiments of the department of justice with the Sherman anti-trust law, have not been all that could have been desired in their results. They have brought about some so-called dissolutions of great combinations, but in the public mind the outcome of the activities of the department under that law are looked upon as rather farcical. What is desired by the people has not been attained under the operation of the Sherman anti-trust law.

We do not bring about desirable changes through drastic criminal statutes which punish the individual. No matter how pleasing it may be to the multitude to see the individual punished, it does not reach the root of the evil. We want something that goes to the very foundation—not laws that punish the person because he violates them. And the federal government has done very little along the line of handling intelligently—or handling at all—this question of control of the great corporations.

The individual states have done better in some certain instances, chiefly because under the federal constitution and its limitations, it is always a question how far congress can go in the regulation of business; while there is no question but that the state individually can regulate its business and manufactures within its own limits as it sees fit. So that we have had thus far on the criminal statutes nothing but criminal laws, imposing a punishment upon the man who did certain things in restraint of trade and in violation of the so-called interstate commerce act.

Interstate business has grown tremendously. 20 years ago it was a very large business indeed, that went much beyond the borders of its own state; while today it is a very small business indeed that does not send its product into almost every state of the Union. So it becomes more and more important—yes, imperative—that we have some uniform system of government control of all these business activities that are so great and of such wide influence in the United States today.

Naturally when you speak of regulating through congress the business or the corporations of the country, the question of constitutionality immediately comes to the front. I am not going to spend much time on that phase of the case, because it is one upon which hours might be occupied in argument. There is no decision of the Supreme Court directly in point as to the power of congress to regulate the manufacture of articles which will enter into interstate commerce; but reasoning by analogy, from decisions which have been made, it seems to me that should a case come up to the Supreme Court for adjudication, it must rule that manufacture is an incident of interstate commerce, and as such is properly subject to federal control and federal legislation.

Now, let us come to remedies. There have been several proposed.

One suggestion has been to provide for a federal commission, somewhat similar in its formation and scope to the interstate commerce commission, which would control these great corporations and regulate how they should do their business; and I think one proposition goes so far as to give that commission power to regulate the price which the corporation shall place upon its product when it goes upon the market.

Now, the commission idea does not appeal to me at all. If the question of constitutionality has any force on the question of federal incorporation, it certainly has equal if not greater force on the question of a federal commission to regulate what would otherwise be local state business enterprises. The same thing would happen that made the interstate commerce commission of no utility for so many years; long, tedious and expensive litigation would inevitably follow the establishment of such a commission before we could ever get down to a practical working basis, and we do not want delay, we want something that is immediate in its action, in its operation and in its results.

Another proposition has been made, to issue federal licenses to the corporation that wishes to engage, or is at present engaged, in an interstate commerce business. It seems to me that proposition is more objectionable than any that has been made. It is a licensing proposition, pure and simple. A licensing proposition never gets down to the fundamentals as against a statute law, which treats directly and primarily those fundamentals. And there is the further objection to this proposal to my mind that the federal license carries with it the idea of a discrimination on the part of the party who issues that license. Now, we had an illustration a few years ago of what it seems to me might become one of the dangers of a licensing system. We had a law and have had it for many years, called the Sherman anti-trust law—you all know about it—preventing the consolidation of great corporations that will be in restraint of trade. A great corporation in this country, through its agents, went to the president of the United States and asked his permission to violate the terms of the Sherman anti-trust law. The United States Steel Company wanted immunity from prosecution at the hands of the president of the United States, when it proposed to and did absorb the Tennessee Coal and Iron Company. That is one of the dangers of a discretion vested in any official to pass upon such great questions. We do not want a man's right to do business the subject of any discretion; we want it the subject of absolute right under a fundamental law. (Great applause.)

Now, under the commission form or the licensing form, it seems to me there is a further serious objection that all parties might not receive the same consideration and same treatment. That is another thing that business in this country must have, equal opportunity, equal treatment, equal consideration under the law. It will get that under a federal incorporation act. Federal incorporation in my mind is far and away superior to any such antidote as a commission or license offers, because you place on the statute book a law clear and explicit and detailed in its terms, which tells any man who desires to engage in interstate commerce business, exactly what he can do, and what he cannot do; and it is not a question on the part of the federal officials charged with the administration of that law, of a discretion in favor of this man and the rejection of a claim against another man. The proper official looks at the Articles of Incorporation filed with him and sees if they comply with the law; if they do he issues a charter; he has no alternative, no discretion. He looks at the annual returns that must be made under such

a law. If they conform to the plain requirements of the law there is no further discretion on his part; they are accepted and filed. If they do not conform, his duty is clear and plain, to carry out the criminal provisions of the law and compel its observance, or the punishment of those who fail to observe.

I would have such a law guarding the issue of stock, preventing its issue until it is fully paid in either cash or its equivalent, thus preventing the stock watering that has been so objectionable and has caused so much complaint throughout the country, in any form in which it might be undertaken, particularly in the form of stock dividends, which is one of the favorite means of enlarging a capitalization upon which must be exacted from the consuming public an additional interest. I would have all securities, bonds or whatever form they may take, guarded in that same specific, detailed way. I would further prevent the control of one corporation by another, through the ownership of a majority of the stock. Here is another of the great evils confronting the people of this country today. I would prevent the control of one corporation by another through the so-called interlocking board of directors. Many a man today thinks he is competing in business with his next door neighbor when he really is not. His next door neighbor has a sign over the door "John Jones Corporation," and it is thought that John Jones is the head and front of that corporation and is conducting its business; and yet if we had proper laws on our statute books, we might find that the John Jones Corporation was controlled by a corporation in San Francisco or in the uttermost parts of the country, that the John Jones Corporation instead of having behind it what it is commonly supposed in the community to have in the way of capitalization, has behind it the resources and the power and the brains of perhaps the greatest combination in the country. A man who is competing supposedly with John Jones is not competing with him at all, but is competing with one of the biggest monopolies that the country knows. Now, I would stop that procedure. In fact with a proper federal incorporation law we would have every avenue guarded by which the corporation could conceal from the public the nature and extent of its business. I would compel four annual returns, setting forth who were interested and the amount of interest in the company, and all necessary details, and have that open to the public gaze.

I believe in the great, all-compelling power of publicity; and with a law on our statute books compelling publicity on the part of the combinations of capital engaged in our interstate business, I believe the very force and power of that public opinion would remedy at once many of the abuses under which we are groaning, and against which we are complaining.

Now, my time, I see, has nearly expired. I have necessarily been very brief and cursory in sketching the outline of a law which I would desire. I have prepared and have introduced in congress a bill containing much more in detail the provisions and ideas which I have outlined to you. I am not enough of an egotist to think or to claim that that bill is the acme of perfection; but I do believe that in this idea of federal incorporation there is a germ that will fructify into legislation at some time and that not far off, which will control satisfactorily to the public and to the big business men of the country, the conditions that now are far from satisfactory, and are not at all under control.

I have been very much gratified by the interest taken in my bill by the National Association of Credit Men. I have had many letters from

members; and I have sent many copies of that bill to them, and have received many favorable comments. I am not here asking this convention to endorse my bill; I am not here asking this convention to endorse anybody's bill. I am simply asking you men who have unusual influence in the business world, seriously to consider the question as to how this thing may be controlled, and to join with me in creating a public sentiment that will force action by the congress of the United States, to the end that many if not all of the evils against which we now complain may be entirely eliminated. (Applause.)

Those of us who have the best interests of the country at heart, who believe in co-operation rather than persecution, who believe in evolution rather than revolution, should unite for the purpose of securing safe and satisfactory federal legislation that will bring about the condition of co-operation and that respect for and observance of the law, which is desired by all honest, right-minded business men, and which the people of the country have a right to expect and demand.

I want to trespass a moment or two longer on your time because I notice in the committee reports of the seventeenth annual convention that your Committee on Federal Incorporation has done me the honor to refer to the so-called Roberts' Incorporation Bill, and to make several criticisms upon it and its terms.

I have only just read the report of your committee, but it seems to me you are approaching this question of federal incorporation from one side of the shield, while I am looking at it from the other side. Your committee says, "Now a federal incorporation law should regulate and save from unnecessary and burdensome state legislation corporations engaged in interstate commerce of smaller extent financially than those embraced within the terms of the Roberts' bill." (p. 112.) I would say that under the terms of the Roberts' Bill, to come within the operation of the federal incorporation act, a corporation must have stock, bonds or other evidence of indebtedness, and securities to the amount of five million dollars or more. Apparently the committee takes a view that a federal incorporation law is to lift the corporation out from the state. That is not my idea at all. What I am after is the big business, the trust, the monopoly, the great aggregation of capital that controls the output of a given commodity, or regulates its price; and I have not given any thought to the little fellow, so to speak. The concern having a capitalization of less than \$5,000,000 can have no appreciable influence on the people of the country at large either for good or bad. It is not within its power to corner a given product, to put up prices or depreciate prices, in order to drive a rival out of business. If a number of these small concerns (I speak relatively) having a capitalization of less than \$5,000,000 each, should come together in any way, so that their joint capital was over that amount, then automatically they would come under the provision of the bill that I have introduced.

Then let me call attention to one other feature. The committee thinks that there should be a federal incorporation law to take the place of all state corporation laws. I cannot agree with that idea at all. If we should attempt it we would find ourselves squarely and fairly against the question of constitutionality, because under the present form of government there is no doubt that the federal government can not prevent the state from regulating the activities of a corporation within the borders of the state. It is not my purpose to take away from any state any control which it now has or exercises, or may hereafter have or exercise,

over any corporation, whether that corporation is within its borders, and therefore one of its own creatures, or whether it is a corporation from another state that comes within the state for the purpose of doing business there.

Your committee also says that the bill which I have introduced, probably will not be acted on at this session of congress. Your committee is exactly right in that. The bill is now reposing in the pigeon holes of the Committee on Interstate and Foreign Commerce in the house of representatives; and while I do not wish or intend in any offensive way to bring politics into my discourse here, you all know that the House of Representatives is at present Democratic, and that the majority of the Committee on Interstate and Foreign Commerce as is true of all committees, is Democratic. The chairman of that committee is a Democrat, and it is at present one of the fundamentals of Democratic political belief, that the federal incorporation law is absolutely, originally and totally wrong. I therefore have no expectation of getting a hearing or favorable report from that committee, unless through such men as you, with all sections of the country, all shades of political belief, represented, unless you are so convinced that the situation demands federal incorporation, that you will put your shoulders to the wheel and work up a public sentiment in favor of federal incorporation which shall be sufficiently strong to drive any man, Republican, Democratic, Populist or what you will, into doing what the public needs and demands. (Great applause.)

President New—We will now listen to the report of the Committee on Banking and Currency, Mr. J. H. King, chairman.

Before reading his report, Mr. King said:

Improvement in business might be compared to an immense wheel. The hub of that wheel is to my mind the proper solution of the banking and currency law; supply that, and the spokes of the wheel will be added and the wheel made complete. My report today has to do with the proper construction of the hub of business, the banking and currency law.

Report of the Banking and Currency Committee

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN :

Nearly five years ago, at the instance of the board of directors of the National Association of Credit Men, in meeting at Indianapolis during the panic period of 1907, F. M. Gettys, at that time the Association's president, appointed a committee of five as a special committee on banking and currency, with James G. Cannon of New York, chairman. There are some—although the number is very small, as I believe—who, while not questioning the directors' good motives, have expressed the thought that such committee is outside the purview of credit men and can not be classified under the purposes and objects of the Association. This, I am sure, the great majority of the members would without hesitation declare is an illogical conclusion.

The National Association of Credit Men was formed for the purpose of advancing and guarding credit interests, and it would be as inconsistent to rule out of our discussions and studies the great problems of credit, falling under banking and currency, as it would to deny

membership in the Association to the banking fraternity, yet admitting as we must, that the bank has more control over the credit situation than any other factor. On the other hand, it seems to your committee that we have a peculiar advantage in taking up currency and banking problems because such problems affect commerce in all its phases, and in our Association we can call men from all lines into their consideration, for our Association embraces the leading manufacturing and mercantile, as well as banking houses, in every part of the land. It is, therefore, for us with one accord to resolve that our Association shall wield its great influence in remedying the defects in our present banking and currency system.

Force of circumstances led your committee to turn its attention this year into very different channels from those followed by last year's committee. In the first place, the National Monetary Commission made its tentative report to Congress only a short while before our Minneapolis convention, and not enough time was given last year's committee to awaken a general interest throughout the organization in the measure outlined in the Commission's report; also during the first half of 1911 all but a few of the legislatures of the various states were in session, and naturally the committee of that year turned its attention, and with splendid success, to the strengthening of state banking laws, along lines so ably suggested in the report made at the 1910 convention by Mr. A. C. Foster of Denver, chairman. For the reason that few states held legislative sessions this year, the work in state legislation followed by last year's committee could not be taken up.

Fitting and important as the work for better state banking laws is, your committee in making its plans, felt that the time had come when the members of the Association should be encouraged to grapple with questions touching currency and national banking reforms, in order to make themselves factors in eliminating, so far as possible, the weaknesses and danger spots in our present system.

Therefore, through special letters to our members, and particularly to officers of local associations, your committee has worked to arouse an intelligent interest, first by calling attention to the strictly non-partisan efforts being made by the "National Citizens' League for the Promotion of a Sound Banking and Currency System," and second, by calling upon credit men to bring to their meetings leaders in the theory and practice of banking—men who could help the members in forming solid conclusions. As those who have read the BULLETIN month by month know, there has been a very general response to the committee's efforts, and it is quite evident that our members have today a far more intelligent understanding of the causes of banking and currency breakdowns and of the elements we must introduce to prevent them, than ever before.

Your committee has been most careful not to prejudice members, and particularly Banking and Currency Committees of local associations, either for or against the proposals of the National Monetary Commission. It urged that conclusions, whether reached by members or those outside the organization, especially if they be adverse to the Monetary Commission's plan, be called to your committee's attention. The result has been that several local associations have gone into the proposals with such care as to be justified in adopting resolutions, some emphatically endorsing the Monetary Commission's plan, others giving their endorsement to the general plan, but suggesting amendments thereto, and in two instances, we believe, our local associations have taken adverse positions

with reference to the Commission's plan, though freely acknowledging the weaknesses of our present system.

Deserving of special notice in this connection is the work of the Banking and Currency Committee of the Philadelphia association, under whose able chairman, Mr. D. G. Endy, several committee conferences were held, in which the plan and bill drawn up by the Monetary Commission were gone into section by section, and each given unqualified approval, or else suggestions for changes were made. Mr. Endy's committee was made up of representatives of the strongest banking, manufacturing and mercantile houses in Philadelphia, and to this body of men your committee is especially indebted for suggestions.

It is the purpose of your committee here briefly to take up the report of the National Monetary Commission, and offer suggestions for changes in certain sections, which we hope may meet the approval of this convention.

It is not necessary more than to refer to the weaknesses inherent in the present system which the Monetary Commission has endeavored to meet—lack of elasticity both in our currency and credit systems; scattered reserves absolutely preventing free co-operative action among banks in times of stress; assets not usable when most needed during any season; no scientific connection between banking power and the government.

The plan evolved by the Commission is not new. It is not a central bank that is proposed, but an agency of all the banks, and an agency that keeps in touch through well organized local district boards and a widely chosen central board, with commercial and banking needs in all parts of the country. It would do business only with its constituent members and the government. It would pay no interest on deposits, would loan no money except to and through its constituent banks. It would not be a new bank set down in our midst and destined through competitive branches to absorb or crush out existing banks but merely a mechanism which will permit the banks to co-operate for the good of each and all, and to perform those natural functions of banks which they are now prevented from performing to the disadvantage of our commerce.

To begin with, your committee, after a careful study, reached the conviction that the National Reserve Association, with its local associations and branches established under the powers and limitations provided in the Monetary Commission's bill, is, in general, well conceived, and would overcome, in the main, the fundamental weaknesses of the present system; that as a system it is sound, scientific, workable and adapted to the requirements of the country.

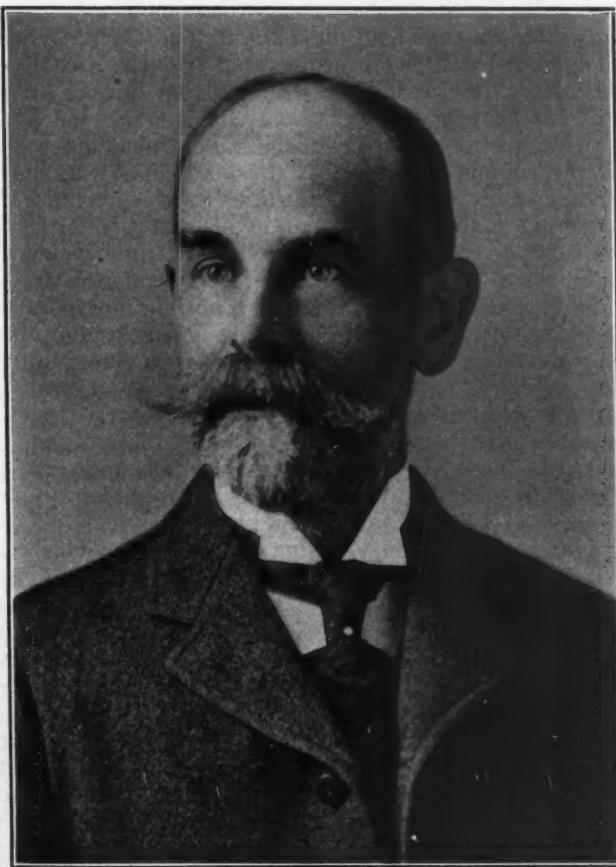
RECOMMENDATIONS FOR CHANGES IN PLAN OF NATIONAL MONETARY COMMISSION.

There is not time, nor is it necessary here to describe the organization of the Reserve Association, but there are a few suggestions which your committee would like to see incorporated into the bill now before Congress to establish a National Reserve Association, which suggestions, your committee hopes may receive the approval of the convention.

Section 5 provides that fifteen cities in the United States shall be selected for the location of branches of the National Reserve Association. Your committee, after a careful study, concluded that with but fifteen branches there would be many financial cities, centers of important commercial activities, strictly entitled to act as branch cities, which

would have to be ruled out in the allotment of branch headquarters, and believing that these branch headquarters should come as close to the people as possible and be quite accessible, your committee urges that instead of fifteen there be twenty-five branches.

Coupled with the change in Section 5, there must be a corresponding change in Section 9, which states the basis of directorship in the board of the National Reserve Association. Instead of fifteen directors, one elected by the board of each branch, there would be twenty-five directors



J. H. KING
Phoenix National Bank, Hartford, Conn.
Chairman, Banking and Currency Committee

so elected, and for the same reason, twenty-five directors in that class which the boards of directors of the branches elect to represent the agricultural, commercial and industrial interests of the various districts, and perhaps also a slight increase in the number of directors elected by voting representatives chosen by the branch boards on the basis of the number of shares held in the National Reserve Association.

Section 10 provides that the governor of the National Reserve Association shall be selected by the president of the United States and

hold office for a term of ten years. Your committee believes that it would be wise to reduce this term at least in the beginning to five or at the outside six years, and that the terms of the deputy governors be for the same period as the shortened term of the governor.

Section 14 provides for an executive committee of the National Reserve Association of but nine members, of which the governor, the two deputy governors, and the comptroller of the currency shall be members *ex-officio*, leaving but five to be elected from the elective representatives on the board. Your committee feels that this very important committee should be made larger, but is not prepared to name the exact number to which it should be increased.

Your committee concurs with the Banking and Currency Committee of the Philadelphia association, in urging that there be a change in Section 21 of the Monetary Commission's bill, so that instead of making it optional with local associations to assume and exercise the powers and functions of a clearing house, the law shall make it mandatory upon them to do so, for the committee feels that the plan of a National Reserve Association should carry with it large facilities for the clearance of checks and drafts covering each local association district. In order that the actual cost of making collections and the loss of time incident thereto may be brought down to a minimum, our recommendation accords with that of the Philadelphia committee that a section be incorporated in the act providing for the establishment of clearing houses within all the proposed fifteen or twenty-five branch districts—whichever number of branch districts is finally decided upon—for the purpose of clearing drafts and checks drawn upon all towns and cities in the district, and that an additional clearance plan be worked out whereby all the branch district clearing houses shall interchange and make collections and settle balances between the separate districts, these clearing houses to be operated as a part of the National Reserve Association plan.

Your committee also recommends that Section 58, by which Congress reserves the right to alter or amend the provisions of the act, same to take effect at the end of any decennial period from and after the organization of the National Reserve Association shall be amended by changing the word "decennial" to quinquennial, giving a five instead of a ten year period in which to make amendments effective.

Opposition has been expressed in some quarters to the plan for a National Reserve Association on the ground, as objectors say, that powers of immense influence for good or evil—powers that belong to the government itself—are centered in an extremely small body, namely, the executive committee of the Reserve Association. We appreciate the basis of the opposition, but have confidence that the government as represented by the president, would be as successful in making safe appointments to the high offices of governor of the National Reserve Association and comptroller of the currency as successive presidents have been almost without exception, in the case of Supreme Court judges. We have faith that the president could and would secure from the banking fraternity men of ability, honor, judgment and experience, who have as high ideals of service which they might render through appointment to the highest banking office in the land, as the members of the bar have in aspiring to the highest places on the bench.

Referring to the governor and members of his executive committee, some seem to think that abuse must follow authority, but while authority implies power to abuse, none of us are pessimistic enough to say that

such abuse follows the granting of authority to any extent, and all will agree that abuse of authority is much less likely if the authority is fixed and definite and secure and open.

Our purpose in recommending a larger executive committee than that proposed in the bill is not that the public will have greater confidence in the larger committee's right purpose, but because we want that committee to be as representative as possible, and yet not be too large to be workable.

CLEARING HOUSE EXAMINATIONS

The committee in this report wishes to record its satisfaction in the extension of clearing house examinations, which in the last two years have been adopted very generally. Such system of examination goes farther than the government can reasonably be expected to go in strengthening the banking situation in any city and to prevent over-extension of credits. Since the system of clearing house examination was adopted in Chicago and St. Louis, other cities have followed rapidly, as follows: Atlanta, Baltimore, Cincinnati, Cleveland, Columbus, Kansas City, Los Angeles, Louisville, Milwaukee, Minneapolis, Nashville, New York, Oklahoma City, Philadelphia, Portland, St. Joseph, St. Paul, Washington.

AGRICULTURAL CREDITS

There is another matter in which the committee has interested itself, and which we are going to urge the incoming committee to give close attention to. We refer to the investigation now being made, notably by the Department of State through five of its ambassadors in Europe with a view to establishing a system of land credit banks in this country patterned after those which have done much for European countries. In this country the farmer pays a higher rate of interest for his money than almost any other class of investor, though the security which he offers is frequently the very best, while in Europe the farmer borrows on terms equal to those of other callings. The failure in the United States to secure for the farmer cheaper money is held by many economists to be largely responsible for the fact that the production per acre of many European countries, and it is believed that in placing before the American farmer the means to adopt improved methods of agriculture, we will be taking an important step toward the fuller development of that industry upon which the welfare of the country so absolutely depends.

In conclusion, your committee offers the following resolutions:

I

"Resolved. That it is the sense of this Association that with the approach of another legislative year, the Banking and Currency Committee renew its demand for strong banking laws in the various states, and especially for a separate and distinct banking department with ample authority in every state in which the laws provide no such department.

II

"Resolved. That the National Association of Credit Men, in convention assembled, views with satisfaction the many evidences of deep interest taken by its members during the past year in a study of methods of bringing our national banking and currency system more nearly into accord with the needs of our expanding commerce, and be it further

"Resolved, That as credit men we are keenly sensible of the perplexing and intricate task which has been discharged by the National Monetary Commission and its able advisers, and express the belief that staple agricultural products is far behind the average production in the bill presented by the National Monetary Commission in its report made to Congress under date of January 9, 1912, presents in general a safe, sound, scientific method for overcoming the serious defects of our banking and currency system, and that a measure based closely upon the bill offered by the National Monetary Commission should be taken up seriously in Congress and pushed to enactment, and be it further

"Resolved, That the incoming Banking and Currency Committee be instructed to use its influence to introduce into legislation, based upon the Commission's report,

(1) Provision for the establishment at least of twenty-five branches of a National Reserve Association, instead of fifteen.

(2) Provision for a corresponding increase in the number of directors of the Reserve Association.

(3) Provision that the term of the governor of the National Reserve Association be not more than five, or at the outside six years, and of the deputy governor a like length of term.

(4) Provision that the executive committee of the Reserve Association be made more broadly representative than is cited in the proposed measure by increasing the size of membership.

(5) That provision be made to put into effect alterations and amendments to the act at the end of five instead of ten year periods.

III

"WHEREAS, It will mean much to the commerce of the country if the actual cost of making collections on drafts and checks and the loss of time incident thereto, may be brought down to a minimum, a step as we believe, as vital to the commercial community as a cheap and efficient mail service, therefore be it

"Resolved, That this Association endeavor to have made mandatory in any act for monetary and banking reform built upon the proposals of the National Monetary Commission, the establishment of clearing houses within all districts for the distinct purpose of clearing drafts and checks drawn upon all towns and cities in a district, and that an additional clearance plan be worked out whereby the district clearing houses shall interchange and make collections and settle balances between the central districts, these clearing houses to be operated in conjunction with the National Reserve Association of America and its branches, and be it further

"Resolved, That all checks drawn by bank deposits on any bank within a particular district shall in bold type bear the number of that district, in order to facilitate quick handling.

IV

"Resolved, That the National Association of Credit Men record with satisfaction the tendency on the part of different clearing house associations in all parts of the country to establish clearing house examinations, believing that nothing so greatly strengthens the local banking situation or tends to prevent an over-extension of credits.

V

"Resolved, That the incoming Banking and Currency Committee be requested to keep in touch with the movement looking to the simplification of loans to agriculturists through the establishment of co-operative credit systems similar to those which have proved so valuable in European countries, and report as fully as possible upon this movement at the next convention."

Respectfully submitted,

Wm. INGLE,
H. S. KEATING,
W. A. PETZOLD,
E. D. PLUMMER,
J. H. KING, *Chairman.*

Mr. King—I move that the report and resolutions be adopted.

Mr. D. G. Endy, Philadelphia—In rising to second the resolutions and report just read I wish to thank the chairman for the very complimentary things that he said about my committee. We all appreciate the fact that this is one of the great problems before the National Association of Credit Men, although from the number of people who went out while this very interesting report was being read it would seem that quite a number of the credit men are not taking the proper interest in this great subject.

As a matter of fact, the subject of currency reform is one that affects credit men more than any other problem we have had presented here in the course of this convention. It goes to the heart and core of every transaction passing through our hands daily; it is something that the business community must settle; this is not a proposition for the banks; the banks can take care of themselves at all times and they do, but they necessarily do it at your expense, because of the system now prevailing. I insist this is a proposition that must be settled by the business community, and if the Credit Men's Association, perhaps the most intelligent body of business men we have in the country, or possibly in the world, does not take hold of it, who will?

It is essential that you study this bill; it is essential that you analyze it; it is essential that you be prepared to contradict or correct any of the false statements which are constantly being made regarding it. Less than a week ago I read an account in a New York daily, written by a party conspicuous in an effort to defeat the bill, an article which every one of us should be prepared to point out the defects in. Many opponents do not play fair and square; they misquote. For instance, we find a deliberate substitution of "shall" for "may," or a section left out altogether. They say that to pass the Monetary Commission's bill would be to sell out to the money trust; they like to call it a trust—these unsyndicated fellows do—they do not call them combinations but trusts; and they think that the government is going to sell out to a private banking syndicate. This proposition, I insist, is not intended for the advantage of the banks. They cannot make more than 5 per cent. out of their investment in the National Reserve Association. Whatever the Reserve Association makes over and above that percentage goes back to the people, to you and me and all the common people.

I say, this is a subject that this great Association should study, should take up; it is of the utmost importance; and I hope that the reso-

lutions offered by the chairman and the very able report that he read will be adopted by this convention. (Applause.)

President New—Motion has been made and seconded that the resolutions as read be adopted. Do you wish to discuss them separately or in their entirety?

Mr. A. H. Dobson, Utica—I was glad to hear the member from Philadelphia express himself as he has. I can not speak on this subject as an expert, as some of our banking members should be able to do, but it has impressed me that there is not another problem before us at this time that is as important as banking and currency reform.

There is one little point on which I would like information. I notice that the committee's report says nothing whatever in reference to the United States notes or so-called "greenbacks." There has been more or less discussion in reference to the greenbacks for many years; and there has been a difference of opinion as to the propriety of their issue, as there was as to the constitutionality of their issue at the time of the enactment of the law under which they were issued. There has been more or less discussion in regard to them at various times; and I should like to ask the committee as to whether that question was considered in any way. I notice that it is neither mentioned in the commission's report nor bill.

Mr. King—No consideration of that legal tender feature was taken up by the committee. We have the legal tenders with us and may have them for some time, but that is outside really of the present consideration which relates rather to the national currency based upon our bond issues. The legal tender issue is not sufficiently large to be of very great importance.

Mr. A. H. Dobson—I understood that the principal work of the committee, of course, was to handle the banking problem; but I did not know but that the question of the greenback issue might have been included in their general deliberations.

The resolutions were then unanimously adopted.

Mr. F. H. McAdow, Chicago—The committee has referred to the National Citizens' League in the way of approval and I think it did well to do so, because I believe there is no organization doing more to bring about an intelligent knowledge of the national reserve plan; but I believe we might go a step further and endorse that league more definitely; and I beg leave to offer this resolution on behalf of the Chicago association:

"Resolved, That the National Association of Credit Men in convention assembled, endorses heartily the work and purposes of the National Citizens' League in its efforts to impart knowledge and arouse interest concerning the 'National Reserve Association' plan, on the part of the people generally, and we recommend that all our members take individual memberships in the National Citizens' League in order that they may receive copies of the valuable and instructive literature on the subject now being concluded by that league."

I think most of us know that the cost of membership in the league is the nominal sum of one dollar and the literature they are giving to their members, and will probably give, will likely amount to \$100 in value, if we take it on the basis of cost. I therefore offer this resolution and move its adoption.

Seconded and unanimously carried.

President New—Under this head we will have an address on "Bank-

ing and Monetary Reform," by Hon. John W. Weeks, member of congress from Massachusetts, who is serving on the National Monetary Commission. We are indeed fortunate to have him with us to give us some further ideas on this subject, and I am glad to be able to introduce to you the Hon. John W. Weeks. (Applause.)

Banking and Monetary Reform

ADDRESS OF THE HON. JOHN W. WEEKS, MEMBER OF CONGRESS FROM MASSACHUSETTS.

Mr. President, Ladies and Gentlemen:

When I stepped from the Washington train this morning I happened to meet a neighbor, who said to me: "Is the world coming to an end?" I suggested that probably he had been reading the first ten pages of his morning paper in which he found most of the fluff and froth of political life, but that if he had turned to the last column on the last page, where he would have found a brief statement of the sessions of the National Association of Credit Men who are really considering the essential things of life, he would not have had any fears about the world's coming to an end. (Great applause.) It is a good sign of the times when business men like yourselves are willing to listen to discussions of this sort, with all the atmosphere surcharged with politics, by commencement exercises, by baseball combats, and all that sort of thing.

Since the organization of our government we have, with comparatively brief intervals of depression, been exceedingly prosperous. Unthinking people have assumed that this result was due to our being young and vigorous and to our using advanced methods, but, as a matter of fact, we have made great strides in material affairs, very largely at least because of our almost unlimited natural resources and in spite of our frequently wasteful and inefficient methods. The time has come when we must, along reasonable lines, conserve our natural resources, and if we are to compete successfully with the more advanced nations in foreign trade, we must adopt the efficient and economical methods of conducting our business affairs, which other people have found necessary. This is, of course, a general statement and cannot be applied to some industries in which we are already international leaders. In no respect have we lagged further behind other countries than in our banking and currency systems, for while we have practically stood still during the last fifty years, except in fixing our standard of value, every country in Europe has materially changed its system to fit up-to-date conditions, so that they have such methods that there is a prompt response to the currency needs of their people, and there can be given to all classes of business men the broadest credit to which they are entitled without any possibility of currency panics or the protracted results of currency panics which we have in the United States. In saying this, however, I do not wish to imply that in normal times our currency methods have not been reasonably adequate, for we have a currency which is recognized the world over as being intrinsically sound. We occasionally, however, get into abnormal times, and it is then that our system breaks down. While business is better organized and we have, on the whole, stronger bank men than twenty-five years ago, and while banks and banking methods have im-

proved in their capacity to meet the requirements of any condition, yet there are necessities which we have no means of supplying and bankers, financial students and economists have frequently pointed out to us, although they were not heeded in so doing, that it was necessary for us to modernize both our currency and banking methods in order to overcome these difficulties. The panic of 1907 emphasized this necessity.

Quite likely you do not appreciate how difficult it is to bring about fundamental changes in legislation. In order to do this there must invariably be a strong pressure from home interests, and no pressure is more potent than that of business men in whose judgment senators and representatives have implicit confidence. So it needed an upsetting of our business conditions to call once more to your attention, and through you to the attention of Congress, the necessity for change. As soon as Congress met in December, 1908, it took up this question and succeeded in passing what has been known as the Aldrich-Vreeland bill. While this legislation has been generally criticised by experts as being unscientific and as not being of a character to bring permanent relief, in which opinion I am in accord, yet it was impossible to get harmonious action at that time, so it seemed best to pass this bill, especially as it contained at least two propositions which marked a distinct advance.

1. It provides for the issuing of a large volume of credit currency, thus, for the first time in this country, recognizing the principle that commercial paper resulting from business transactions is the proper basis for circulation. Five hundred millions of this currency has been printed and is stored where it is available in case of need.

2. It provides for a commission to study thoroughly the whole subject and report later to Congress, and fearing that it might be difficult to focus attention on this legislation if this law were to become permanent, it was decided to limit the law to six years, so that it will expire by limitation on the thirtieth of June, 1914. Unless permanent action is taken before that time, therefore, we shall be in exactly the same condition after that date as we were in before the passage of the Aldrich-Vreeland Bill. Under this act a commission of eighteen members—nine members of the Senate and nine members of the House—was appointed. The criticism has been made that such appointees might not be the best fitted persons obtainable for such investigation purposes. To some extent this criticism is justifiable, but it must be remembered that it is necessary to pass legislation as well as to formulate it and that nine senators and nine representatives of influence and capacity will always have a material bearing in bringing about action in Congress; and, furthermore, even if they were not the best equipped men to act as commissioners, they were given authority to employ expert assistance, not only in this country but abroad, so that the commission has had the benefit of the very best talent obtainable in all first class countries. The National Monetary Commission, in undertaking this task, studied first the defects and needs of our system. They then made a thorough study of the systems employed in foreign countries for the purpose of grafting on to our system such changes as could be used, modifying them, of course, to meet our peculiar conditions. Sub-committees of the commission have been abroad and have carefully prepared up to date financial information which has been published: financial experts and all others in the United States have been given opportunities to be heard, not only in Washington but in many of the large

cities of the country; and the commission has prepared a plan which has been submitted to Congress. Before submitting this plan, however, it was carefully considered by substantially every financial economist and student of any standing in the United States and by committees representing all of the large banking associations in this country as well as by recognized financial experts abroad, who, by the way, are quite as much interested in our having correct and advanced methods as we can be ourselves, because when we have gotten into trouble in the past we have drawn so heavily on other countries that we have upset their financial equilibrium as well as our own.

Before considering this plan in detail I wish to call attention in definite terms to the weaknesses in our present currency and banking methods.

1. Our currency, which is thoroughly sound and is accepted at its face value throughout the civilized world, has almost no elasticity. A scientifically correct currency would be one having sufficient reserves, which, at the same time, would expand and contract with the needs of trade. We have, substantially, the largest per capita circulation of any country in the world, which, in round numbers, includes a billion and three-quarters of gold or gold certificates; six hundred millions of silver or silver certificates; three hundred and fifty millions of greenbacks; and seven hundred millions of national bank notes; making a total of about three billion, four hundred millions of dollars. The issue of greenbacks is limited by law to the amount at present outstanding. The volume of metallic money cannot be increased in case of need and has no relation whatever to the necessities of trade. The only element in our circulation which has any elasticity is the national bank note, secured by Government bonds. As the total debt of the country available for this purpose is only about nine hundred millions, and as there is even now, in comparatively quiet times, seven hundred millions outstanding, it will be seen that it would be impossible greatly to increase this amount in case of need. Practically all of the Government bonds not now used for this purpose are held in such a way that they would probably not come on the market.

2. Under the law, the reserves of all national banks, and of practically all others, are held by the banks in reserve or central reserve cities. In a final analysis they reach the banks of the three central reserve cities, a very large percentage of them coming to the most important of these, the city of New York. As the pernicious practice of paying interest on these reserves prevails, it becomes necessary for the reserve banks to make active use of these deposits, the result of this being that frequently large quantities of reserve money become involved in stock market and other speculative ventures. This is especially true when business conditions do not require the use of money in the localities where it naturally belongs. The calling home of surplus moneys, followed frequently by the withdrawing of reserves, creates an unnatural and unusual condition in the reserve centers, and is often the inciting cause of money stringencies and resulting panics like that of 1907. No interest should be paid on bank reserves, and they should be either held in the vaults of the bank itself or deposited where they would be available in case of need without creating unusual conditions by their withdrawal.

3. Heretofore there has been no co-ordination or leadership among the banks. This is especially necessary in meeting monetary disturbances. In fact, business jealousies and other reasons have made banks hesitate to take the lead in instituting measures to relieve distress during such

disturbances until it has become apparent that a failure to do so would mean a total financial collapse, in which cases clearing house certificates have been issued temporarily to relieve the situation, always with a favorable result as far as local conditions are concerned, but bringing about the total break down, for the time being, of domestic exchange, thus causing great and unnecessary disturbances to business.

The plan of the Monetary Commission proposes to correct these three defects in our system, besides making other valuable additions and changes in connection with our banking and currency methods, some of which I will now enumerate.

It proposes the organization of a reserve association to be called the Reserve Association of America, having an authorized capital equal to 20 per cent. of the capital of the subscribing banks which will probably aggregate about four hundred millions of dollars; a charter limited to fifty years, with main offices in Washington, D. C.; that the country shall be divided into fifteen districts and that a branch of the Association shall be located in each district. The two criticisms of such an association which have been most frequently used are that it will be impossible to prevent its becoming a powerful political agent, or to prevent its getting into the hands of special interests, to be used for selfish and personal purposes. In my opinion, both of these dangers have been adequately provided for in this plan. Banks are to be the only subscribers to its capital stock. When a bank becomes a member of the Association it may subscribe to an amount of capital stock equal to twenty per cent. of the stock of the subscribing bank, and no less than that, and such bank shall become a member of a local association. Shares of the capital stock shall not be transferable, and shall not, under any circumstances, be held by any other owner than a bank. Therefore, in order to obtain control of the Reserve Association, it would be necessary to obtain control of the banks of the country, or at least of those belonging to the Association.

All subscribing banks shall be formed into associations of not less than ten banks, with a combined capital and surplus of not less than five millions, a form similar to the organization of clearing houses in large cities. These local associations shall be grouped into fifteen divisions. The manner of electing directors of not only the Reserve Association, but of its branches and the local associations, combines the principles of bringing together the relation of the states to the federal government. In the local association three-fifths of the directors shall be elected by representatives of the banks in that association, each bank having one vote. Two-fifths of the whole number of directors shall be elected, each bank being entitled to cast as many votes as it has shares in the Reserve Association.

Directors of the branches shall be elected as follows:—The Board of Directors of each local association shall elect one member of the Board of Directors of the branch to which it belongs. This would insure as many directors as there are local associations in that district. In addition to that number there shall be elected a number of directors equal to two-thirds of the number of local associations in the district where the branch is located, and in choosing these directors each bank shall be entitled to as many votes as it holds shares in the Reserve Association. These elected directors shall then meet and elect an additional number of directors equal to one-third of the local associations in the district, these last directors to be selected from the industrial, commercial, agricultural and other business interests of the district.

Directors of the Reserve Association shall be forty-six in number, seven of whom shall be ex-officio members, namely, the Governor of the Reserve Association, two Deputy Governors, the Secretary of the Treasury, the Secretary of Commerce and Labor, the Secretary of Agriculture and the Comptroller of the Currency. Fifteen directors shall be elected, one by each of the Board of Directors of each branch of the Reserve Association, each branch having one vote. Fifteen directors shall be elected, one by the Board of Directors of each of the branches of the National Reserve Association. These latter, however, must be elected from those who represent the agricultural, commercial and industrial interests, and who shall not be directors of banks or other financial institutions at the time of their election or during their service. Nine additional directors shall be elected by voting representatives, one representing the banks embraced in each district. Each representative shall cast a number of votes equal to the number of shares in the Reserve Association held by all the banks in the district which he represents. No member of any national or state legislative body shall be a director of the Reserve Association, or of any branch or local association.

It has been asserted that it would be impossible to keep such an association out of the control of certain interests and that it would be equally impossible to prevent politics from influencing the workings of the National Reserve Association. The plan provides that the Governor of the Association shall be appointed by the President of the United States from a list of not less than three names, furnished by the directors, and that he can only be appointed from such a list. As a matter of fact, that is the only direct political element in the proposed plan, but as the Government is to do all its business through the Association, including depositing all of its receipts with it and drawing for all of its expenditures on it, it seems reasonable that the Government, through the President, should have a voice in selecting the person who is to be all important in the management of this great organization; but as the directors, representing the stock-holders, are to have the sole voice in presenting to the President a list of names from which the manager is to be selected, it does not seem probable that any great abuse can arise from this provision. Under this plan the Reserve Association will be the custodian of the gold reserve supply of the country. If the redemption of all classes of circulation now outstanding should be turned over to the Association, which should be done, it will hold, as a result, the largest single gold supply in the world, aggregating more than a billion dollars, thereby insuring an adequate supply of coin or bullion for export, as well as a suitable reserve for its own note issues and for redemption purposes. The plan provides that all of the reserves of subscribing banks may be deposited with the National Reserve Association if the banks so elect and that, under conditions which are carefully guarded and restricted, banks may rediscount through the Reserve Association and such rediscounts may either serve as additional reserves or there may be issued against them the notes of the National Reserve Association, which will reverse the course which reserve money takes in the ordinary bank, insuring and, I believe, increasing, rather than lessening, reserves in times of stringency.

The criticism has been made that the plan would bring about an inflation of circulation. This, in my judgment, is hardly possible, for it provides that nine hundred millions of circulation may be issued in a similar manner to the issuing of national bank notes now outstanding, without any tax other than the government tax of $1\frac{1}{2}$ per cent.

on circulation, providing, however, that if an amount exceeding nine hundred millions is issued a tax of $1\frac{1}{2}$ per cent. shall be imposed on such circulation; and that if more than one billion, two hundred millions is issued, all of which is not covered by gold, then a tax of 5 per cent. shall be imposed on the excess. This should prevent any possibility of issuing circulation in excess of ordinary business needs, and should insure the prompt retirement of circulation when it is not needed, the limit of nine hundred millions being made because it is assumed that that will be sufficient circulation for the ordinary needs of business, provided the volume of the total business of the country is not greater than at present. In order, however, still further to insure a safety valve against undue inflation in circulation, it is proposed that whenever the gold cover to the circulation outstanding is not 50 per cent. of the amount of such circulation there shall be a tax imposed equal to $1\frac{1}{2}$ per cent. on each $2\frac{1}{2}$ per cent. if the amount of gold cover falls below the amount required as a basis for the plan. In other words, instead of the gold reserve against circulation being 50 per cent., if it should fall to 45 per cent. a tax of 3 per cent. would be imposed as soon as that condition prevailed. If the gold cover should fall to 40 per cent., a tax of 6 per cent. would be added. Such a tax would, of course, compel prompt action to build up the gold reserves of the Reserve Association until they reached the amount required by the proposed law. The Reserve Association will be able to control interest rates, that is to say interest rates made by itself in its dealings with other banks, because if it finds it is losing gold more rapidly than it should it will advance the rate of discount so that there will not be a profit in withdrawing capital from America, and it will be in this way that the Association will be able to take a leadership in money market affairs, and for that reason, being in close touch with all elements of the banking situation, it will be not only able to control a panic if one should arise, but, if properly managed, to prevent the possibility of there being a panic, as we understand that term.

It is proposed that the Reserve Association may rediscount notes and bills of exchange arising out of commercial transactions, for and with the endorsement of any bank having a deposit with it, but these notes must have a maturity of not more than twenty-eight days and must be made thirty days before the date of rediscount. Under suitable restrictions the Reserve Association may also rediscount for depositing banks notes and bills of exchange not exceeding four months to run, and whenever the Governor of the Association and the Secretary of the Treasury believe that public interest requires it the Association may rediscount the direct obligation of a depositing bank, but this obligation must be endorsed by a local association.

It is the purpose of the commission in framing this plan to assist in every way possible, in developing our foreign trade, and for that reason it provides that the Reserve Association may purchase bills of foreign exchange in cases where the exchange arises out of commercial transactions, under, of course, proper restrictions as to time and endorsement. It is also provided that the Association, in addition to its branches in the United States, may establish branches abroad which are to be suitably limited in their functions. In this way the Association will be empowered to do what has been done for many years by the central banks of first class European countries, adjusted to our peculiar conditions and needs. Furthermore, the plan provides for the establishment of national banks

in any foreign country. At present we have substantially no banking capital in Europe, none in South America and none in the Orient. The fact that European countries have their own banks in, as well as direct lines of communication to, substantially every South American country has given Europe a tremendous advantage over us in the trade of that important part of the world, which even now has a foreign trade of something like two billions a year, which will undoubtedly be much greater as years go on. The fact that we are doing a comparatively small percentage of it is the most humiliating condition connected with our foreign trade. In order to assist in extending credit the functions of national banks are increased by permitting them to accept commercial paper drawn upon them, not having more than ninety days to run, properly secured and arising out of commercial transactions. While this provision has nothing to do with the fundamental changes for which the plan provides, it will, in my judgment, have a material effect in developing our foreign trade and in making more favorable interest rates in local transactions, assisting also in enabling the business man to obtain all the credit to which he is entitled under all conditions. An illustration of the importance of this provision will, perhaps, best demonstrate its value:—Our people in their foreign trade, especially with South America and the Orient, have been put at a disadvantage, because there has been no means of buying New York or other United States exchange in those countries. For example, if a European tanner should make a purchase of hides in the Argentine the following would be the method of financing it: The European purchaser would arrange with his bank to accept sight bills drawn on him by the Argentine seller for a long enough time to cover the transaction. The latter draws his bills, attaches the documents applying to the transaction, turns them over to his local bank, which, in turn, sends them to its European correspondent, which, in turn, delivers them to the bank with which the acceptance has been arranged, which latter bank completes the transaction by making the acceptance, taking the documents and turning the acceptance back to the correspondent of the South American bank. It then, being a draft accepted by a well known banking institution, is salable, not only in the country where the bank which has accepted the bill is located, but probably in any European center.

The American importer, on the other hand, being unable to arrange with his bank to accept time bills, must resort to one of two methods in paying for his goods—either by remitting the funds direct to the shipper, which necessitates his carrying an unnecessary amount of cash at times, or he must have a credit high enough to warrant a loan on his promissory note; or, as a last resort, if he can do neither, he must place on the foreign shipper the burden of carrying the goods, in which case the latter draws on his American customer and puts the draft in his bank for collection. Under these conditions the purchaser does not get as good terms as he would if he could arrange for a prompt payment in accordance with European practice. From South America and the Orient, in such cases, our importer arranges a credit with a London bank through his own local bank, the result being that the London banks take a shave off practically all the business which we do with those two sections of the world. While there is no data to show just how much this amounts to, there is sufficient information to prove that we pay millions of dollars annually to European banks for service which should be performed by our own institutions; and, in addition to the monetary loss, there is a distinct loss of prestige in being obliged to conduct our financial operations

through others. Furthermore, it is expensive to the importer, who must necessarily pay a commission to his own bank, to the European bank, and, indirectly to the South American bank in which the draft is originally placed. By a reverse process our exporters are placed at a disadvantage because they are obliged, in shipping to other than European countries, to accept payment in a foreign currency, so that they must necessarily speculate on the rate of exchange in making prices for their goods. If they insure themselves against loss in placing a low rate for the ultimate exchange which they must pay, their prices may become so unfavorable that they will lose the trade. If, on the other hand, they do not place a low enough rate on the probable exchange, thereby getting the business, they may not be able to make any profit in the transaction. This question of bank acceptances will have a material effect on country as well as city banks. The country bank is now dependent on the local demand for money, after which, if it has a surplus, it ordinarily purchases notes, either through a note broker or as the result of the approval of its reserve agent, but, in any case, this paper is seldom of a character to be available in case the bank needs funds, and in this country it is an evidence of weakness which banks try to avoid, if they offer paper which they own either for sale or rediscount. If they had a bank accepted bill which was current at market rates anywhere, or which could be turned over to the Reserve Association for rediscounting, receiving notes in place of it, this difficulty would be obviated. I believe the introduction of this method of conducting our banking business will have a vital effect in the development of foreign trade; will insure a broader and more liberal credit and, on the whole, a lower rate of interest.

The adoption of bank accepted bills will have a tendency to equalize money rates throughout the United States and will undoubtedly somewhat reduce the average rate which all classes of business men will have to pay, for it will give them a broader credit than they are now able to obtain, not only in this country, but, if their operations are large enough, in Europe as well. This policy has been in practice in European countries for many years, the result being that a business man, conducting large operations, not only establishes his credit in his home country but in foreign countries as well, which enables him to take advantage of interest rates by borrowing where interest rates happen to be the lowest at the time he needs to make loans. The result of this has been that there are large quantities of German, French and English bills found in other countries than those in which they are made. This prevents the necessity for the shipment of currency whenever the trade balance is against any particular country, for instead of paying its debts in that way it would simply send back foreign bills which it holds.

One of the results of the plan which the Monetary Commission proposes will be, in the opinion of the commission, much more stable interest rates in this country than we have had heretofore—at least, that has been the experience in European countries. In France, for instance, the rate of the Bank of France has only varied from 2 per cent. to $4\frac{1}{2}$ per cent. during the last twenty years, reaching the maximum limit but twice—during the South African war and during our panic in 1907, and for nearly seven years it did not vary $\frac{1}{4}$ per cent. from the 2 per cent. rate. The question has frequently been asked why, if this plan is likely to reduce interest rates, are banks in favor of it? The answer is simply that bankers desire stable conditions and such conditions that they can make available, as nearly as possible, all of their resources. This they have

been unable to do in the past and it is specially pertinent, bearing on this question, that European joint stock banks, where the rate of interest has been materially lower than in the United States, have averaged to make more money on the capital invested than have American banks.

It is believed that such a bank will be profitable from the start, and it is proposed to pay the stockholders 4 per cent., after paying all expenses and taxes; other earnings to be divided as follows: One-half to go to a surplus fund until that fund amounts to 20 per cent. of the Reserve Association paid in capital; one-fourth to the government of the United States and one-fourth to the stockholders; this division to continue until the stockholders receive five per cent., after which no additional distribution shall be made to them. Additional earnings, after they receive 5 per cent., shall be divided as follows: One half to the surplus fund and one-half to the government. After the stockholders receive 5 per cent. and the surplus amounts to 20 per cent. all excess earnings shall be paid to the government. The advertising value of a membership in the Association, added to the reasonable return on the capital invested, and the possibility of obtaining relief through discounts will, in my opinion, incline all classes of banks to take advantage of this law and become members.

Not the least important part of this plan is the suggestion for note issues, which provides that hereafter there shall be no further issue of bond secured notes by national banks, which may, however, if they elect to do so, retain their present outstanding circulation. Whenever any bank, however, retires its circulation it shall surrender the right to reissue notes. Furthermore, it is provided that the Association shall offer to take over all of the 2 per cent. bonds held by the national banks at a price not less than par and shall hold them, under stipulated conditions, as a basis for circulating notes in the future, the government keeping the option to retire a certain percentage of these bonds annually. The only reason that a United States two-percent. bond sells at par is because it has the circulation privilege against it. If this privilege were removed our 2 per cent. bonds would drop to about 70, which would entail on the banks holding them a loss of more than two hundred millions of dollars, an entirely unjustified and unreasonable position in which to place the banks. It has been demonstrated recently that 3 per cent. is about the rate at which a United States bond can be floated for Panama bonds, without the circulation privilege attached, recently sold at a little in excess of par. Therefore, the Monetary Commission plan proposes that the 2 per cent. bonds now outstanding shall be refunded on a 3-per-cent. basis, but that a circulation tax of 1½ per cent. shall be imposed against any circulation issued against them, which means, in its net effect, that substantially seven-ninths of the outstanding government indebtedness shall be refunded on a 1½ per cent. basis. As all other first class countries are paying from 3 to 4 per cent. on their outstanding indebtedness, this plan would seem to leave our government in a particularly favorable position as regards interest rates; and as the Reserve Association will be obliged to issue circulation against the bonds which it takes over, to an equal amount, any possibility of upsetting business conditions is obviated.

It is proposed that the notes of the Reserve Association shall be received at par in payment of all taxes and other debts to the United States and for all other purposes except obligations of the Government

which substantially require payment in gold, and that they may be held as a reserve by the subscribing banks. In this way it is believed that gold and gold certificates will gradually be driven into the Reserve Association, which will greatly increase the supply of gold which that institution will hold. In fact it has been one of our serious mistakes that any part of our reserve money has been put into general circulation; in future, if this plan is adopted, the holder of a Reserve Association note which can be transferred into gold on demand will, in my judgment, be equally as well satisfied as he would be if he had in his possession reserve money.

The time seems to have come when there may be made a united effort to bring about this legislation. It is true that conditions at Washington, with the different branches of Congress and the President in antagonism politically, do not promise well for fundamental changes in anything. Still an effort has been made, and I hope successfully, to keep this question removed from politics. It should not be a political question, for now most men admit that the Government has the constitutional right to authorize and use national banks as fiscal agencies and those who would permit the Government to issue circulation direct are comparatively few in number. Yet the Government should supervise and regulate the issuing of circulation; should regulate and control the methods of conducting business by its own agents, and should profit, to some degree, in return for doing its own business through the Reserve Association. I am, therefore, optimistic enough to hope that the report which the commission has made will be accepted and that the bill accompanying it will become a law. Certainly there is to-day no more important question before the public, and there cannot be one more important for Congress to consider than this. It will do more to preserve the stability of our commercial affairs and develop our foreign trade than any similar measure which has been considered since the days of the Civil War. I hope the plan may receive the consideration and cordial support of this organization which, as much as any other, is dependent on stable conditions and the possibility of obtaining, at reasonable rates of interest, the necessary capital to conduct its affairs under all conditions.

In 1844, when presenting the Bank Act to the Commons, Sir Robert Peel used this language, which is particularly pertinent to our condition, although the proposition which he was then presenting simply changed the method of issuing notes in Great Britain, and did not affect as broad a question as does the plan which the Monetary Commission has submitted to Congress. He said:—

“There is no contract, public or private, no engagement, national or individual, unaffected by it. The enterprises of commerce, the profits of trade, the arrangements made in the domestic relations of life are all affected by this question submitted to you for your consideration.”
(Great applause.)

Mr. R. S. White, Chicago—I wish to move that this Association extend to Mr. Weeks a rising vote of thanks for his valuable address, and an expression of regret at the limitation of time, necessitated by our lengthy program.

Motion unanimously carried and so done.

President New—I wish to announce at this time that we will continue in session this morning only until we complete the four short reports of our special committees, taking up the last two addresses on the morning program early this afternoon. We will first hear the report

of the Committee on Uniform Exemption Laws, by Mr. S. G. Rosson, its chairman.

Mr. Rosson—As we have a long program yet this morning, if the chair is willing, inasmuch as there is not a great deal of especial importance to be considered by this convention in my report—even though it is brief, I would suggest that I be permitted simply to outline it and to offer the resolution. I promise that my remarks will not be longer than my report.

(Here Mr. Rosson outlined his report which is presented in full.)

Report of Committee on Uniform Exemption Laws

To the Officers and Members of the National Association of Credit Men.

GENTLEMEN:

The past year has been an off year in legislation. Only thirteen of our state legislatures convened within the year, and the opportunity given your committee to select an advantageous field for work has therefore been limited. In view of this fact, we have thought it best to postpone action where conditions appeared unfavorable.

It is a fact also that your committee could not prepare itself for work until after the first of the year, largely because the permanent secretary-treasurer of the National Association did not enter upon his work until January 1st.

It was the committee's conclusion that it would have been unwise to have undertaken active, direct effort without sufficient time for preparation to present our plans to the greatest advantage. We have therefore made no direct effort to accomplish any legislation in these few states whose legislatures convened within the past year. We have, however, busied ourselves in a study of the committee's problems, and have been planning out our future work.

Your committee has concluded that satisfactory results in its department cannot be expected except through a persistent campaign of education. Unlike most forms of legislation to which the Association has given its attention, the exemption law in many states, particularly in those of the South, is a matter of constitutional provision, and is regarded as almost sacred, coming under man's inalienable rights. Therefore, very cogent reasons have to be presented for changing these exemptions. An exposition of the exemption abuses will have to be made clear, and the fact particularly that many of our exemption laws but encourage fraud and bring about competition hurtful to honest merchants; it must be brought out also that to a certain extent our liberal exemption provisions affect unfavorably the purchase of commodities, since the losses which are sustained must be covered in the retail price.

Accordingly, your committee recommends that the office of the National Association of Credit Men print and supply without cost to all members desiring same for distribution to their trade in all the states, such arguments or advertising matter as may be prepared from time to time by your committee, with the approval of the officers of the National Association, the desire being that such matter be enclosed in the daily mail of each member of the Association to his customers as a means of suggesting thought and study of this question to every man who can be reached.

This plan provides a decidedly broad publicity method and would involve no expense to any except that small cost of printing which falls to the National Association, and it appears to your committee as being the most effective plan.

It is further the present idea of your committee when it is again ready for a definite effort to accomplish a change in the laws, to select some one or two states, and throw every energy into an effort for success there, and to work in conjunction with local associations and



S. G. ROSSON
Mercantile Security Co., Baltimore, Md.
Chairman, Committee on Uniform Exemption Laws

individual credit men who ought to be interested. In this connection, your committee wishes to say that it is in correspondence with the Jacksonville Association of Credit Men looking to a determined effort to be made in Florida for exemption law reform, possibly at the next session of its legislature. Plans are well under way for this work right now.

Your committee finds it necessary at times to protect credit granting against the enactment of still more unfavorable exemption

laws than now exist. For instance, the Senate of Kentucky at its last session passed a bill increasing the homestead exemption from \$1,000 to \$2,000. Immediately upon receiving word of this action the Louisville and Lexington Associations of Credit Men lined up their forces and appeared before the House Committee in charge of the Senate measure, and the National office circularized the individual members in that state. As a result, the bill failed to be reported out of the committee to the lower house.

As was reported to the convention of last year, the personal exemptions in North Dakota were reduced from \$1,000 to \$500. It is now planned to make an effort in the same state before its next legislature convenes to reduce real estate exemptions.

The committee offers the following resolutions for consideration:

"WHEREAS, It will clearly aid the work of your committee to reach as many individuals and merchants as possible, with literature intended to arouse their interest in the readjustment of exemption laws, and

"WHEREAS, Credit men are deeply interested in this work and in excellent position to distribute literature of an educational nature, therefore be it

"Resolved, That it is the sense of this Convention that the Committee on Exemption Laws, in conjunction with the National office, should prepare a leaflet or set of leaflets on the subject of exemption provisions and the advisability of their revision, and that the National Association of Credit Men be requested to print and supply such leaflets to all members desiring them for distribution among their customers."

S. G. ROSSON, *Chairman.*

Mr. Rosson—I offer the report and this resolution for adoption.
Motion seconded and unanimously carried.

President New—We will listen to the report of the Committee on Uniformity of State Laws, by Mr. J. L. McWhorter of Nashville, chairman.

Mr. McWhorter—There is one thing about my report that will commend it to you, namely, its brevity. It is a homeopathic dose in delightful contrast, I am sure to the allopathic doses you have had to take in the last few days. (Laughter.) The special committee to which this matter of uniformity of state laws has been referred is made up of five exceedingly modest men who are unwilling to claim for themselves all the credit for the preparation of this report, and we desire to make public acknowledgment this morning in the presence of you all, of our obligations to the National office for their able assistance in the preparation of this report which I will now read.

Report of Committee on Uniformity of State Laws

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

Your Committee on Uniformity of State Laws naturally has not had a busy season inasmuch as this was not an active legislative year, but ten states having convened their legislatures in regular session

during the period of your committee's activities. It is our conviction that this special department of work is thoroughly justified by our deep interest in efficient commercial legislation, or in legislation that even indirectly affects commerce. Nothing can be of greater advantage to the commerce and banking of the nation than that the differing laws of our forty-eight states, bearing upon methods of business procedure and practice be brought into reasonable uniformity. This is but the statement of an economic fact, for uniformity will put a stop to a vast waste from which commerce is now suffering. *



J. L. McWHORTER
McWhorter, Hutton & Co., Nashville, Tenn.
Chairman, Committee on Uniformity of State Laws

Uniformity in state laws means conservation and our Association must always stand for conservation. Your committee can only co-operate with the Commissioners on Uniform State Laws appointed by the several states acting as a conference or separately for state legislation, and has therefore kept in touch with the secretary of the Conference of Commissioners on Uniform State Laws, Mr.

Charles Thaddeus Terry, of New York City, and has also been in conference with the commissioners in those states whose legislatures convened this year.

The commissioners have not adopted as yet a Uniform Partnership Law. They have been studying this subject closely, but have not yet approved a draft of a law on this subject.

The three special laws prepared and recommended by the commissioners, in which our Association is more definitely interested than in those laws coming within the examination of the commissioners and bearing upon the domestic and social status, are the Uniform Negotiable Instruments Act, Uniform Sales Act, and Uniform Warehouse Receipts Act. The decision of the states whose legislatures convened this year relative to these Acts are enumerated as follows:

Arizona has adopted the Uniform Negotiable Instruments Act and Uniform Sales Act, but the Uniform Warehouse Receipts Act has failed of passage so far in the legislature of this year.

Virginia has adopted the Uniform Negotiable Instruments Act and the Uniform Warehouse Receipts Act, but the Uniform Sales Act failed of passage in the legislature of 1912. It was passed in the House of Delegates, but died on the calendar of the Senate.

South Carolina has not adopted any of the three Uniform Acts, and they failed of passage in the legislature of 1912, despite the efforts of the Commissioners on Uniform State Laws in that state.

Rhode Island has adopted the Uniform Negotiable Instruments Act, the Uniform Sales Act and the Uniform Warehouse Receipts Act.

New York had previously adopted the Uniform Negotiable Instruments Act and the Uniform Warehouse Receipts Act, and in a slightly modified form adopted the Uniform Sales Act in the legislature of 1911.

New Jersey has adopted the three uniform acts.

Mississippi holds position with South Carolina, not having adopted any of the three uniform acts. They came up in the legislature of 1912, but without success.

Maryland had adopted the Uniform Negotiable Instruments Act, and in the legislature of 1912 adopted the Uniform Sales Act and the Uniform Warehouse Receipts Act.

Kentucky had adopted the Uniform Negotiable Instruments Act, but the Uniform Sales Act and the Uniform Warehouse Receipts Act failed of passage in the legislature of 1912.

Massachusetts has adopted the three uniform acts.

Such universal satisfaction has been derived from the operation of the Negotiable Instruments Act, now adopted by thirty-eight states, that it is believed by some of the commissioners—and their belief is shared by your committee—that more interest will be created in uniformity in state legislation, especially that prepared and recommended by the commissioners, such as the Uniform Sales Act and Uniform Warehouse Receipts Act, referred to above. These measures, because of the success of the Negotiable Instruments Act, are likely to be favorably considered in sessions of legislatures to convene in the year to come, and more generally accepted.

Your committee recommends that this work be continued in a specialized way, as in the past, by the National Association of Credit Men, and begs to present the following resolution:

"Resolved, That the National Association of Credit Men, in convention assembled, recognizes the economic advantage and value of uniformity in state laws, pledges its support to the Commissioners on Uniform State Laws in their educational and legislative work, and urges that the Association's Special Committee on Uniformity in State laws be continued."

Respectfully submitted,

J. F. BEDELL,
W. E. GREENE,
W. R. KING,
C. E. VIRDEN,
J. L. MCWHORTER, *Chairman.*

Motion made, seconded and carried that the report and resolution be adopted.

President New—In the absence of the chairman and members of the Committee on Federal Incorporation Laws, Secretary Tregoe will read that report.

Secretary Tregoe—Congressman Roberts was our guest this morning and he illuminated the principles of federal incorporation law. As his bill was the only federal incorporation bill before congress, and the only bill that could have been analyzed by this committee, it was subjected to some criticism which, in view of what he has said, may have been not well founded. I therefore suggest that this convention dispense with the reading of the report of this committee, but that it be made a part of the records of the proceedings, and that I simply read the resolution.

President New—There is no objection to that.

Motion made, seconded and unanimously carried adopting the resolution as follows:

"Resolved, That the Special Committee on Federal Incorporation Law be continued in order that the work designed for this committee and outlined in previous conventions may be consistently followed, and that all bills regarding federal incorporation now presented, or that may be presented in Congress, may be carefully observed and every consistent and reasonable effort made to have such bill or bills, when under serious consideration by either branch of the Congress, so framed that their provisions shall be fair and equitable to incorporators and stockholders, protective of creditors, and a safeguard to the public against dishonesty in promotion, over-capitalization and misleading financial statements."

Report of Committee on Federal Incorporation Law

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN:

Your special Committee on Federal Incorporation Law was limited in its operations by the resolutions adopted at the convention in Minneapolis, which directed that it continue as a special committee to follow carefully all bills regarding federal incorporation which might be introduced into Congress; and when it was apparent that a federal incorporation law was likely to be passed, to use all legitimate efforts to have it so framed as to be fair and equitable to the incorpo-

rators and stockholders, and particularly that it protect the interests of creditors and provide against dishonesty in promotion, over-capitalization and misleading financial statements. Your committee was not authorized to prepare and recommend a law.

Agreeable to the powers conferred upon it by the resolution referred to, your committee had under close study and consideration a bill introduced by Hon. Ernest W. Roberts, Member of Congress, from Massachusetts, known as "H. R. 17932", "to provide for the formation and regulation of corporations engaged in any form of interstate commerce." This is the only bill offered in the present Congress, within the knowledge of your committee, providing for federal incorporation.

It is not a matter of comparative ease for the average layman explicitly and intelligently to grasp the details of a bill of this nature and to determine wisely and properly upon it. Our very brightest commercial and legal minds have differed as to the wisdom and utility of a federal incorporation law, and contentions have been keen upon the alternate advisability of enacting such law, or of arranging simply for a federal license and regulation of corporations doing an interstate business.

It is clear to all that there has developed during the past four years a distinct trend in the direction of federal regulation of corporations engaged in interstate commerce, and for varying reasons, the principal of which appear to be the safeguarding of the public from impositions in promotion, in over-capitalization, in monopoly tending toward restraint of trade, and on the other hand the burdensome regulations imposed by various state legislatures upon public service corporations engaged in interstate commerce. It does not rest with your committee to advance its attitude upon whether incorporation or license would better conserve the interests of the public and safeguard our commerce against undue restraint; nor whether federal regulation is at all necessary or wise. We are simply conscious that the trend is on, and your committee was specifically appointed to watch the development of this trend in any proposed legislation, and to exercise its powers in the prevention of any unwise, inequitable and burdensome legislation.

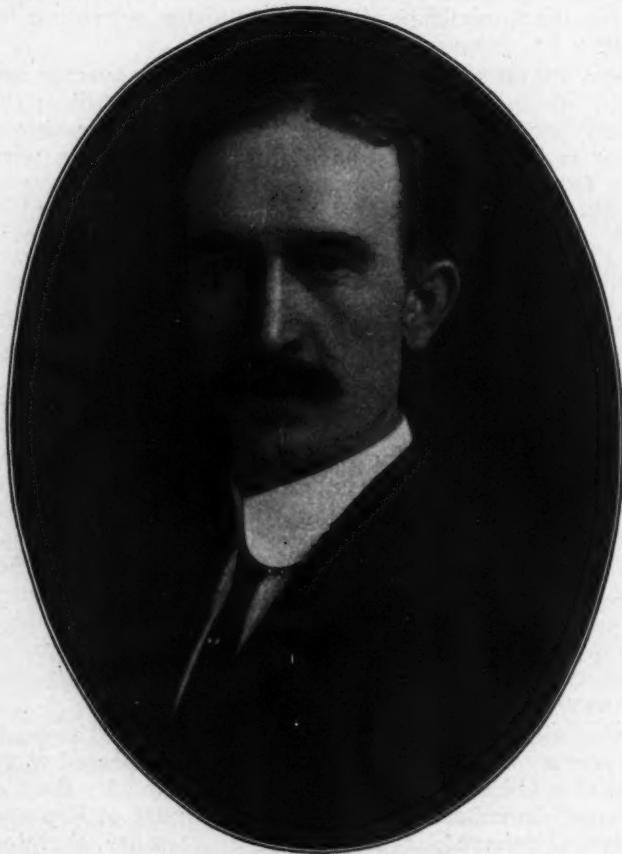
Referring definitely to the so-called Roberts bill, at no time during the progress of the present Congress has it appeared to your committee that this bill would be seriously considered by the Committee on Foreign and Interstate Commerce of the House of Representatives, to which it was referred. It has not been necessary, therefore, to act in opposition to or in defense of the bill, owing to the fact that its consideration by the House of Representatives did not appear imminent, nor at all likely that a favorable report upon it would be made by the committee of the House to which it had been referred.

Your committee has thoughtfully considered the bill and its provisions. So far as this consideration extended, the Roberts bill, in the judgment of your committee, would not fully measure up as a federal incorporation measure, thoroughly sound in all of its features, and likely to promote and regulate interstate commerce by conserving equally the interests of the incorporators and the public.

There must be no unnecessary or burdensome impositions upon our interstate commerce. The channel must be kept free from im-

pediments and every encouragement given to the development of our interstate commerce upon the basis of justice and protection.

In the judgment of your committee, the Roberts bill was not sufficiently wide in its application to those corporations which would fall within its regulating terms. The corporations affected by this bill must have capital stock, bonds, other indebtedness, and surplus earnings to aggregate five millions or more. Now a federal incorporation law should regulate and save from unnecessary and burdensome state legislation corporations engaged in interstate commerce of



R. W. RAMSEY
Van Vleet-Mansfield Drug Co., Memphis, Tenn.
Chairman, Committee on Federal Incorporation Law.

smaller extent financially than those embraced within the terms of the Roberts bill.

The commissioner authorized by the Roberts bill, whose knowledge must be very wide if his office is not to impede rather than facilitate interstate commerce, is to receive a salary of \$5,000 per annum. In the opinion of your committee, a man with the experience and technical knowledge qualifying him for such a responsible position with the duty of really valuing the properties of corporations

engaged in interstate commerce, could not be secured upon such a salary consideration. This looked to your committee as a very weak feature of the bill, wherein economy was unwisely suggested.

There were many features of the bill of a wise and proper nature, especially the assembling and publishing of information concerning corporations affected by the bill, the regulation of stock issues so as to safeguard against over-capitalization, the prevention of an individual from serving as director in too many corporations, etc.

Altogether, however, your committee believes the Roberts bill does not by any means approximate the requirements of a safe and non-burdensome federal incorporation law.

It will rest upon the incoming committee to follow the progress of the Roberts bill in Congress, and no definite recommendations need be here made concerning it, owing to its present status.

It is the conviction of your committee that this responsibility of following federal incorporation bills in Congress, and insisting upon certain features for the safeguarding of the public interests, is very wise, and it recommends by proper resolution that the special committee be continued.

Summarizing, your committee tenders the following resolution:

"Resolved, That the special Committee on Federal Incorporation Law be continued in order that the work designed for this committee and outlined in previous conventions may be consistently followed, and that all bills regarding federal incorporation now presented, or that may be presented in Congress, may be carefully observed and every consistent and reasonable effort made to have such bill or bills, when under serious consideration by either branch of the Congress, so framed that their provisions shall be fair and equitable to incorporators and stockholders, protective of creditors, and a safeguard to the public against dishonesty in promotion, over-capitalization and misleading financial statements."

Respectfully submitted,

JAMES H. COWAN,
A. R. DARRAGH,
F. WARREN KIMBALL,
L. F. VALENTINE
R. W. RAMSEY, *Chairman*.

President New—We will hear from our new committee, the Committee on Commercial Arbitration, and in the absence of the chairman it will be read by Mr. Charles Reynolds, of New Orleans, a member of the committee.

Report of Committee on Commercial Arbitration

To the Officers and Members of the National Association of Credit Men.
GENTLEMEN :

Pursuant to a resolution offered by the Committee on Resolutions at the Minneapolis convention, and adopted, your special Committee on Commercial Arbitration was authorized, and later organized by action of your board of directors in annual meeting last September.

Whilst the unanimous action of the board of directors laid upon your President the responsibility of appointing a committee to consist of fifteen members, yet owing to the peculiar nature of the work and the necessity of extending a sentiment for it throughout our associations, this committee, as eventually constituted, consists of sixteen members representing very nearly all of our geographical sections.

The reasons for forming a special Committee on Commercial Arbitration were explicitly stated in the Minneapolis resolution. It had become apparent as the resolution cites that the delays attending the procedure of adjudicating disputes submitted to courts of law and equity often amounted in effect to a denial of justice, and rather than submit to such a possibility, commercial disputes were frequently compromised or in effect abandoned. It appeared most opportune, says the resolution, to advocate a form of adjudication free from technical encumbrances, economic in administration, prompt in application, and fair and final in results.

Commercial arbitration under certain reasonable restrictions, and with definite legal authorization, should prove the practical and efficient method of adjudicating the generally occurring commercial dispute.

The form of commercial arbitration authorized by a New York statute and adopted by the New York Chamber of Commerce, the operation of which is intrusted to a Committee on Commercial Arbitration, of which Mr. Charles L. Bernheimer is chairman, appears to your committee as the form which should be generally approximated in all of the states and commercial centres which may be prevailed upon through our work to adopt arbitration methods for adjudicating commercial disputes. A pamphlet setting forth the plan operating in the New York Chamber of Commerce has, through the courtesy of Mr. Bernheimer and Mr. Sereno S. Pratt, secretary of the Chamber, been very widely distributed and used by your committee as the best literature for illuminating the subject and creating a sentiment.

Your committee can only with propriety and due courtesy acknowledge other testimonies of Mr. Bernheimer's interest in the efforts of your Association to nationalize commercial arbitration. As the statutes of the several states had to be scrutinized in order to discover if there existed those which would not sustain commercial arbitration upon proper and efficient plans, your committee, through Secretary Tregoe, has retained Mr. Julius Henry Cohen to do this necessary legal work and tender suggestions which his examination of the statutes of the several states may inspire.

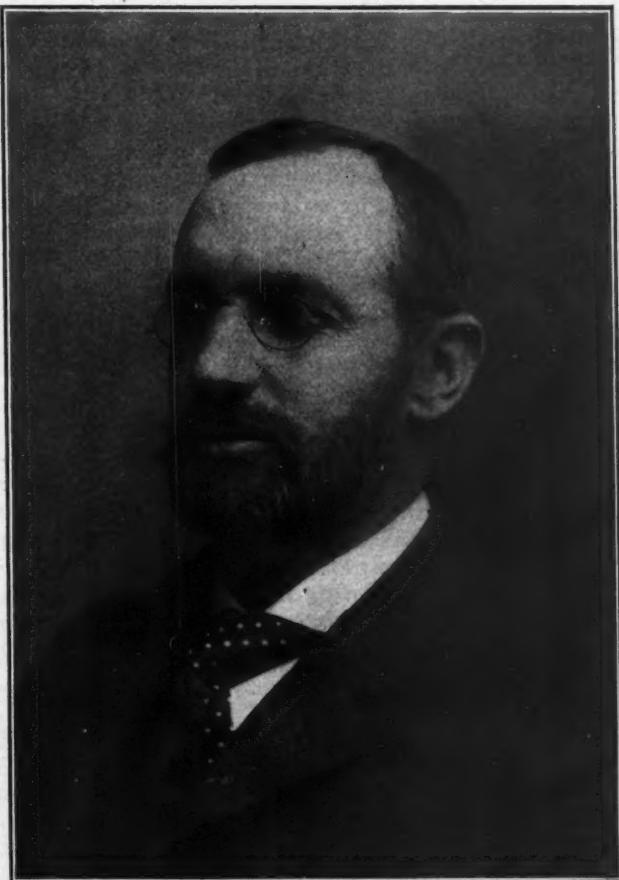
It might be appropriate to add here that commercial arbitration as it is now in operation under the New York Chamber of Commerce, has demonstrated its practical value, and disputes are constantly submitted to its adjudication.

The satisfactory demonstration of the plan at that chamber offers every encouragement to your work and discounts any apprehension that an effort to nationalize commercial arbitration is perhaps an impossible and unwarranted task.

The first endeavor of your committee and the national office was to prepare and send a communication to the presidents of all local associations calling attention to this work through the enclosure of the pamphlet prepared and issued by the New York Chamber, and requesting that a local committee on Commercial Arbitration be appointed. The plan is

so novel, and calls for such thought that our presidents proceeded slowly in their consideration of this letter and in their action upon its suggestion.

A copy of the pamphlet was also placed in the hands of each member of the board of the National Association so that these officials might be thoroughly advised of the work and its progress.



EDWARD D. PAGE

New York, N. Y.

Chairman, Committee on Commercial Arbitration

Up to the time of preparing this report, the following local associations had appointed Commercial Arbitration Committees:

Oklahoma City	Boston
Duluth	Cincinnati
Portland	St. Louis
Atlanta	Louisville

This is but a fractional part of our affiliated associations, but your committee has every reason to feel encouraged through the spirit and interest of the committees appointed, and firmly believes that other associations are now ripe for the appointment of similar committees, and that

the year upon which we shall now enter will be a very active one in this department.

Our counsel, up to the time your committee prepared this report, had examined the statutes of Oklahoma, Minnesota, Missouri and Kentucky. It was discovered that Oklahoma had no statute that would authorize commercial arbitration in the form we suggest. However, the local committee of the Oklahoma City association has succeeded in creating a similar committee in the Oklahoma City Chamber of Commerce, and sentiment will undoubtedly be created in that city for commercial arbitration. When the session of the next state legislature convenes a proper law for the authorization of commercial arbitration will be introduced.

In the three other states whose statutes have been examined, there were found laws on the statute books that would generally support commercial arbitration as proposed by us, and suggestions will be made to the local Committees on Commercial Arbitration conforming with this examination.

This brief outline will indicate to you the general trend of our work during our brief term of service. The nationalization of commercial arbitration must necessarily be slow, but it is thoroughly worth while, and your committee sincerely hopes that the committee may be continued by the National Association of Credit Men.

Summarizing, your committee begs to offer the following resolution:

"Resolved, That the National Association of Credit Men, in convention assembled, reaffirms its belief in commercial arbitration as a prompt, economic and fair adjudication of rough-and-ready cases in commercial dispute, and recommends that the special Committee on Commercial Arbitration be continued for the purpose of consistently carrying forward the work which it has undertaken during the course of the current year and set forth in the report of which this resolution is a part."

Respectfully submitted,

G. R. BARCLAY,
A. H. DECATUR,
F. M. GETTYS,
M. W. JACOBI,
F. H. MCADOW,
JAS. A. MCKEE,
R. J. MORAWETZ,
DANIEL B. MURPHY
O. H. PERRY,
JAS. PRESTON,
CHAS. REYNOLDS,
THOS. P. ROBBINS,
F. L. SHULL,
J. W. SPANGLER,
F. W. STANDARD,
E. D. PAGE, *Chairman*.

Mr. Reynolds—I move that the report and resolution be adopted.
Motion seconded and unanimously carried.

Mr. A. J. Gaehr, Cleveland—I desire to offer the following resolution:

"WHEREAS, Court calendars in many states are crowded and delays

in litigation are often caused by long drawn out and tedious trials, which are both expensive and burdensome, and,

"WHEREAS, Delays in the administration of justice, in effect, amount to a denial of justice, and

"WHEREAS, The difficulties between the parties are often slight, and easily susceptible to adjustment, be it

"Resolved, That the National Association of Credit Men urge upon the courts of the various states the importance of following the precedent in England of establishing branches of the court for the disposition of commercial cases, to which shall be exclusively assigned all cases involving commercial disputes, thereby ensuring the prompt and efficient administration of law in the disposition of commercial disputes, and further, be it

"Resolved, That the legislatures of the various states be urged to amend their statutes with a view to permitting the establishment in each state of a system of commercial arbitration such as has been established in the city of New York by the Chamber of Commerce and is now being established by the National Association of Credit Men in various states where the statutory law makes it practicable, and further

"Resolved, That wherever necessary the legislature should amend the statutes with a view to making the decision of the arbitrators as binding and enforceable as a judgment of a court of record, to the end that such system of commercial arbitration shall become a part of the judicial system of such state, and further, be it

"Resolved, That wherever practicable and consistent with the maintenance of matters of principle, the parties to all commercial litigation shall be freely furnished by the courts with facilities for adjustment and settlement, and further

"Resolved, That the several branches of the National Association be requested, through their proper officers, or committees, to bring these resolutions to the attention of their courts and their legislatures in their districts and states, and that in each district where no branches of the National Association are located, the National Association, with the aid of individual members, seek to make these resolutions effective."

I move the adoption of the resolutions. I wish to add that Mr. Julius Henry Cohen has been a co-laborer with the Cleveland delegation in preparing these resolutions, and I urge that this resolution be adopted unanimously so that in the end litigation will become the exception and possibly supplement the rule.

The resolution was seconded by Mr. K. R. Taylor of Cleveland.

President New—Do these resolutions call for a reference to the incoming committee?

Mr. Gaehr—They do not.

President New—Do you wish to act on the resolutions?

Mr. D. S. Ludlum, Philadelphia—I move that the resolutions just offered be referred to the Committee on Resolutions.

Mr. Gaehr—These resolutions have the endorsement of Mr. Cohen.

Mr. F. H. McAdow, Chicago—On behalf of the Chicago delegation I second that resolution in the belief that courts wherever they are given encouragement of co-operation will always be ready to encourage settlements out of court in order to hasten litigation and keep their dockets clear.

Unanimously carried.

Announcement was then made by Mr. A. H. Decatur in behalf of the Boston association regarding the evening's entertainment program.

Adjournment was here taken till 2.30 o'clock P. M. of same day.

FOURTH DAY

Friday, June 21, 1912

AFTERNOON SESSION

The afternoon session of the last day of the convention was called to order at 2.50 o'clock P. M., by President New, who called upon Mr. Harry P. Boyd, of Baltimore, to address the convention on "Other Men as Viewed by the Credit Man."

Other Men as Viewed by the Credit Man

ADDRESS OF HARRY P. BOYD, BALTIMORE, MD.

There are more pleasant themes to discuss in the purposes of our Association than the one assigned me, namely, "Other Men as Viewed by the Credit Man." In fact, when I think about it and attempt to formulate my views, I begin to question whether I possess the audacity, the temerity, the courage, necessary to back up a public expression of opinion on such a subject. Virtually, I am asked to expose any secret thoughts I may entertain and lay bare the private estimates of character I may have formed concerning certain classes of men with whom we "Credit Men" come in contact.

Lord Byron, referring to gratuitous criticism, says: "A man must serve his time to every trade, save censure. Critics are ready made," and while my remarks may not be necessarily censorious, they are necessarily critical, if I am to offer anything like a true analysis.

The credit man is both a critic and a judge, and in no other vocation is the exercise of the functions pertaining to critic and judge of greater importance. The credit man who is endowed with the attributes essential for success in his line of duties must be a student of men as well as events; he must be a reader of character, a philosopher, and a logician, capable of discerning truth and of making correct deductions. He may be said to be health officer of the commercial and mercantile body, whose business is to prevent, rather than cure, a disease by anticipating and avoiding the conditions which are likely to affect the health and soundness of that body.

Often he is the observer unobserved, watching the game on the chess board of trade, analyzing the moves, and studying the players until he is familiar with every trick and every move of the contest. And it is this habit of observation, this analysis of men and their motives, which makes the average credit man a capable critic, one whose opinion is unbiased by sentiment and who deals with facts as he finds them.

In treating the subject, "Other Men as Viewed by the Credit Man," I have divided the men to be reviewed into four classes:

- The "Man Higher Up";
- The Salesman Whose Orders Are Rejected;
- The Credit Seeker and His Obligations;
- The Man Who Fails to Recognize the Value of a Credit Department.

The "Man Higher Up" whom I have in mind in this connection is the member of a firm or officer of a corporation who arbitrarily ignores his credit man's judgment and decision in the extending or the withholding of credit. There are probably very few in this assemblage who have not at some time or other experienced the bane of this interference. The case submitted to the credit man is presumably one in which he is acquainted with all the facts. He has made the fullest investigation and from the information in his possession is convinced that the credit risk is hazardous, and so decides it. The "Man Higher Up," either from some personal sentiment or the fear of losing a big sale, says of the prospective customer, "Oh, he's all right. We'll take a chance." In response to the credit man's objection, he may declare that he will assume the responsibility, and the goods are delivered. The credit man has done his duty so far as he was permitted. In disregard of his warning the sale was made, and to this extent he is relieved of any possible error. But when the time for liquidation arrives and payments are not forthcoming, and ultimately the debtor is thrown into bankruptcy, there is little satisfaction to the credit man to say, "I told you so," when at the close of the year the losses show a high percentage augmented by just such ill advised transactions. . . . Such interference is pernicious, demoralizing and disastrous, yet there is no remedy so long as the "Men Higher Up" persistently interfere where interference should not be tolerated. This is parallel to the case of the sick man who ignores the instructions of his physician and relies upon his own mode of treatment for recovery. The credit man is the doctor.

And now, the salesman whose order is rejected. . . . We all know him, the man of sanguine temperament, whose faith in the honesty of humankind has never been shaken, who will tell you the credit is as good as old wheat and who feels hurt at the mere intimation that his customer has imposed upon his confidence and credulity. He regards the credit man, who turns down his orders, as his personal enemy, bent on hurting him intentionally, with the fell purpose of maliciously cutting down his commissions. He is rarely convinced that the credit man, in rejecting dubious orders, is, in reality, doing him a service, and that the loss of a few dollars in commissions is less serious than the loss of hundreds, perhaps thousands, of dollars in bad accounts, to say nothing of the damaging effect such sales would have upon his reputation as a wide-awake, astute salesman. Experiences with this sort of cad present trying ordeals in the life of a credit man, but the inexorable rules which safeguard business transactions must be observed even where there is an apparent hardship inflicted.

The man seeking credit. Credit seekers are of two kinds—the man who comes to you in a straightforward manner, who has nothing to conceal, who tells you without equivocation all you desire to know, whose eye meets yours without flinching, a man whom you know from the constant study of mankind to be innately honest, in intent, at least, and one

to whom you willingly extend credit in accordance with his prospects and resources. There is a pleasure in meeting such a man, and your confidence is rarely betrayed.

The other kind is the man who attempts subterfuge or bluff, whichever he thinks will best help him in attaining his purpose. His very demeanor at once puts the credit man on his guard. He is wary of any proposition offered. Usually, this class of credit seeker is free with his admissions to a certain extent. There is truth, too, in what he tells you, but not all the truth, and therein lies the danger, if the credit man is at all



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Director

inclined to be credulous or is not thorough in his investigations. When he adopts the bluff methods, this credit seeker will endeavor to break down the barriers by a brow beating process, sometimes assuming an air of supercilious indifference as to the outcome of the interview. The bluff is sometimes successful. If subterfuge is adopted, the applicant for credit is indirect and evasive in his answers to your questions, his arguments are specious and his protestations profuse. There is, as a rule, lit-

tle difficulty on the part of the credit man to detect in his visitor a sinister intention, or at least a desire to do business by overstepping the safe and legitimate limit of credit, with a consequent risk to the creditor.

There is yet another class of credit client, the timid, diffident kind, who erroneously imagines the credit man a sort of ogre, ready to rend him the moment he enters his office. To such the credit man is an object of awe, and I may venture the assertion that not only to this class, but to a majority of credit seekers, the credit man seems in some degree a creature to be dreaded. This is an unfortunate misconception of the credit man's personality, as he is the friend and not the enemy of those seeking assistance in the furtherance of their business ambitions.

And, finally, there is the man who does not recognize the value of a credit department. Are there any such? you may ask. The woods are full of them. If there were not, our Association would have quadrupled its membership and the credit system of the country would be so well organized that failures of any magnitude would be rare.

In every large city and in every manufacturing district there are many concerns doing a considerable volume of business who are apparently content to stick to old-fashioned methods and take chances which the up-to-date business man would balk at. True, these houses may be ultra conservative in their dealings with new trade, yet in the absence of any proper and effective system of protection they assume risks which to the modern trained business mind seem appalling. To what extent these who are without the fold would be receptive if a propaganda of the aims and principles of the National Association of Credit Men were spread among them is conjectural, but it seems to me to be our duty to arouse them from their fatuous security and warn them that on land as on sea there are over-confident Titanics, rushing recklessly toward the icebergs of disaster, because of a lack of due precaution. (Great applause.)

President New—We have with us on the platform this afternoon Secretary Wentworth, of the National Fire Protection Association, and I am going to call on him at this time for a few words of greeting. (Applause.)

Mr. Wentworth—*Mr. President, Ladies and Gentlemen:* I met a man in one of the New York hotels last week who said: "Oh yes, I have heard of you; you are the secretary of the National Association of Credit Men, are you not?" (Laughter.) I said, "No, Mr. Tregoe is secretary of the National Association of Credit Men;" and he said, "Well, somehow I had you mixed up with National Association of Credit Men's campaign against fire waste." (Laughter.) I said, "Yes, I was mixed up in it, and it was their campaign;" and then I explained to him that the National Fire Protection Association was sixteen years old, and the National Association of Credit Men sixteen years old, but that the country had learned in the last two years from credit men more about fire waste than it had in the whole sixteen from the National Fire Protection Association. (Applause.)

Now there are reasons for this: One is that my association did not wake up to its responsibility as an educator until three years ago. We had simply been an engineering organization and the first hand that was extended to us when we undertook to educate the public was that of your splendid association. (Applause.) Imagine the good it did us. Many men in our work were insurance men; they bore the insurance label and any work which we might do as an association through the underwriters'

avenues, was labeled as insurance effort, and confirmed the people in the idea that no one need be interested in the fire waste except the insurance people, who are logically interested because of their premium. You see any effort which we might make to educate the people through the channel of the underwriter, only collided with prejudice and did not give us a fair chance to tell our story without colliding with that prejudice. But you credit men of the nation appreciating the importance of fire protection, appreciating the significance of our fire waste, gave us this opportunity, gave us a chance to appear before the people of this country in our true light, as fire prevention engineers—not as the handmaiden of the insurance interests, but as an association standing on its own feet, doing a large public work.

I shall not abuse the privilege which President New has given me to make a speech; but in welcoming you to Boston I not only welcome you as business associates but I feel that I am welcoming a party of friends. I thank you. (Great applause.)

President New—The last address on our program comes under a word of greeting from the Commercial Law League of America by its president, Mr. J. Howard Reber, of Philadelphia.

Greeting from the Commercial Law League of America

By J. HOWARD REBER, OF PHILADELPHIA, PA.

Mr. President and Members of the National Association of Credit Men:

As president of the Commercial Law League of America I deem it a great honor to extend to you,—the National Association of Credit Men, embodying the business brain and integrity of this country,—the greetings of an organization that stands for the best that typifies the commercial lawyer of today.

When I received from your secretary the kind invitation to extend to you greetings, I accepted with unusual pleasure, not only because of my high appreciation of your organization, but because I felt it offered another opportunity more closely to cement our two organizations which have so much in common.

Do you realize that you are responsible for the very existence of the commercial lawyer of today, that it is solely through you that this new species was born, and that you, the parent by stern guidance and direction are responsible for the finished product as you find it today, be it good or bad?

Twenty-five years ago the commercial lawyer was virtually unknown. In those days we found only general practitioners, lawyers who were not trained in any specialty, and who, although learned in the law, had no business training or experience. The rapid growth of commerce in this country and the enormous expansion of credit, demanded a new product, namely men not only specially trained in the law of commerce, but men who combined with special legal knowledge a thorough business education and training, enabling them quickly and accurately to apply the legal principles to every day business conditions. In short, the new conditions required the lawyer to be equally as good a business man as lawyer.

The legal collections, arising by reason of the expanded credit system, assisted materially in the rapid growth of the commercial lawyer. In former days when a claim was handed to a lawyer for attention, he wrote the debtor a polite note requesting remittance. If no reply was received

the only remaining recourse was to institute a suit after a substantial retainer had been paid. Compare that method with the present requirements. Your commercial lawyer of today is virtually a part of your credit department. He is constantly guiding you through the most intricate business ventures; he has a corps of clerks, stenographers and investigators; his office is conducted with the greatest business system; and what a difference in compensation. The collections are handled on commission basis,—no collection no pay, no matter how much time or energy the attorney expends on the same. Even when suit is necessary and the attorney is unable to recover, in many instances the credit man is loath to pay for the services rendered. By reason of the enormous mass of collections in the commercial law business the field is naturally an attractive one, resulting in a large number of young men turning their attention to this specialty and entering into a fierce competition to secure the business. This competition combined with business instincts acquired by the commercial lawyer, is the one great force tending to discredit him today, and a subject which deserves the most serious consideration on the part of the best element of the commercial bar and the entire body of credit men. At no time has any profession held within the ranks a body of men so high intellectually and morally as the lawyer; and by reason of the greatly enlarged responsibilities and duties of the commercial lawyer it is of the utmost importance that this high standard of the bar be not only maintained but even if possible raised to a higher level. It is absolutely necessary that this be so, as you are daily entrusting your important secrets and the very existence of your business, to your counsel. This is one of the fundamental principles, one of the fundamental objects of the Commercial Law League of America, and with its membership of over twenty-seven hundred of the leading commercial lawyers of this country, combined with a seriousness and earnestness of purpose, its strength and power are such as to insure the maintenance of the highest standards.

By reason of the keen competition for business before referred to, added to which is the fact that certain credit men are willing to entrust their collections to any lawyer who will handle them free of charge, there has developed a small class,—a disgrace to the profession,—through whose unprofessional conduct the standard of the entire commercial bar is lowered. This class owes its existence solely to the encouragement and support received from certain credit men. The Commercial Law League is straining every nerve to eliminate the evils caused by this class of lawyers, and we need your hearty active and practical support in our endeavors.

Shortly after I was elected president of the Commercial Law League I suggested to your secretary that we would be glad to receive from your organization complaints as to improper conduct on the part of any of our members, and this invitation was extended through your publications to your local organizations and to each individual member. I am glad to say that out of possibly a dozen complaints received but three were against members of our league and of the three two complaints were adjusted to the entire satisfaction of the complainants. In the third instance the lawyer resigned from the league and proceedings are now pending against him. (Applause.)

Our league earnestly invites complaints against any of its members, and assures you of the most careful investigation and punishment when such member is found guilty. It is our aim to have our membership con-

sist of only such lawyers as are a credit to the commercial bar, men who will join actively in the work of our organization. However, in addition to filing complaints with us it is necessary that you control with a strong hand the equally small class of credit men who are a disgrace to your organization and through whose connivance and encouragement many of the evils in our profession are able to exist. It is beyond my comprehension how certain credit men continue to place collections and legal matters in the hands of a totally incompetent lawyer of no standing or reputation, simply because he offers to handle them for a less compensation than a reputable lawyer can. I can conceive of no cases which require more legal ability than those which are entrusted by the average credit man to his lawyer. Yet in visiting our courts, it is appalling to note that a large number of cases of grave importance are being tried by lawyers of no standing or ability, simply because certain credit men secure their services on some basis which no attorney of standing could consider. It is this cheap lawyer with no sense of legal ethics, a disgrace to his profession, running from door to door soliciting business, who casts a slur over the entire profession. Let me urge upon you as a fact that the employment of this class of service is the most expensive possible; this class of lawyers, unfair and injurious to their own profession, will in the long run prove an expensive and unprofitable connection for the credit men who employ them.

If there were only some way in which your organization could compel each of its members to employ a commercial lawyer of standing, and give all his collections to that lawyer, it would remove the basis for all complaints we hear against commercial practice. The shyster lawyer would be driven out and the net result would show a material increase in your profits.

I wish I could elaborate on this subject, but time will not permit. I must state, however, that every time you give a claim against a bankrupt estate to an attorney who agrees to handle it without compensation, you are absolutely destroying the entire purpose of the bankruptcy act. Lawyers must live, and by such agreement you are simply opening the door to connivance and trickery that is being borne on the flood of bankruptcy practice.

At the coming convention of the Commercial Law League, there will be presented for consideration a code of ethics relative to bankruptcy practice, which I hope with your co-operation will to a material degree remedy existing evils.

I was just informed of Mr. Cohen's speech which you heard yesterday and of the resolutions passed by this organization at the conclusion of his address. I want to thank you for your co-operation, because we need it; and your resolution will be a distinct step toward the final accomplishment of what the Commercial Law League of America is now working for. (Applause.)

In closing let me again in behalf of the Commercial Law League of America, extend to you with every feeling of good fellowship, greetings, and let me add that we offer to your National Association, to every affiliated branch and to every individual credit man the good offices of the Commercial Law League of America in every possible way that you can find to use them. (Great applause.)

President New—We have now completed the regular order that should have been finished this morning and have reached the appropriate time to nominate and elect a president and vice-presidents of the

Association. Therefore we shall be glad to receive nominations for the office of president.

Mr. H. G. Moore, Kansas City—*Mr. President, Ladies and Gentlemen of the Convention*—I esteem it a high privilege to be honored and permitted to present to this convention the name of a friend for the office of president of this Association; and in doing so I shall not worry you with a lengthy address, but I trust you will permit me here to mention three gentlemen with all of whom you are well acquainted.

Mr. President, Mr. New, or Harry New, as we love to call you, in the opinion of us all you have made a most successful president. (Applause.) It is probably not necessary that these words be given, for the consciousness of a conscientious gentleman and a faithful worker such as you have proven yourself to be, needs no words of recognition; yet we bring to you that old and well known reward, "Well done, thou good and faithful servant," (Great applause). But as I have studied you from the floor, as with the other delegates we have enjoyed your ease in presiding, the justice of your decisions, your uniform courtesy and considerateness, it has occurred to me that you needed just one little touch of nature, just one crowning glory, to make you that which you are so near being, a model president. Far be it from me, however, to mention that one little defect on your makeup, for I would not cast one shadow in your administration, and I hope that nothing but roses will pave your pathway forever. But as the gentleman whom I shall nominate as your successor possesses in abundance that one touch of nature which you lack I shall not mention it; but possibly you may gather the idea or catch the point from the story that they tell of me out in my own home town. At the conclusion of an evening's entertainment, after I had made a speech such as would have done justice to a Fessenden, a long, lean, lank Missourian, forged to the front and grasped me by the hand and said: "Young man, I want to thank you for your address this evening; I have enjoyed it immensely and I have always wanted to meet you, for we have heard of you down our way; we are proud of you; indeed so proud that we have named our little city after you." Naturally pleased as most anyone would be, I said, "Well, sir, and I presume then you are from Moorestown, Kansas." "No, sir," he said, "I am from Bald Knob, Missouri." (Great applause and laughter.)

In the presentation of the name of the candidate whom I shall mention later, I should feel that we sadly neglected our duty, that we were far from the proper consideration and performance of our delightful duty, did we not mention our present first vice-president. (Applause.) I am sure that we have all missed his genial presence at this convention; his gracious, courteous and winsome personality has and always will be a source of happiness to us all; and I wish to assure you that no man is more worthy of your esteem, that no man of all of us values him more than the gentleman whom I shall name; and he, with you and I delight in the recognition of that good friend, that scholarly courteous gentleman, who has shared with us his wisdom, who has given such faithful service to our Association. I am sure that with me you will all regret that business relations and frailties of health, not only compel his absence from this convention, but prevent his consideration of further and higher duties in the work. I wish to give expression to the sentiment: All honor and long life to our worthy friend Lee M. Hutchins, of Grand Rapids. (Great and long continued applause.)

Had you attended the first annual convention of this Association, held in my own home town far away, you would have seen, active then

as now in the work and life of the Association, the man of whom I speak, towering in stature and strength beyond the average man; you would discover that then as since, he was never thoughtful of self but always considerate of and devoted to the interest of all. It is said that this Association has been the developer of men, men who have builded and guided this Association, men of courage in action, conservative men of accomplishments, sincere in their performance of duty, men of zeal and foresight, such as have always been to the forefront in the service. We feel that as the Association has broadened and expanded, such men as my good friend have been instrumental in its ripening. For this reason he is the more amply able to assist in the future development and enlargement of the Association, for which we must care. They have builded well, these men of the past, and with the poet we can say:

"All are architects of fate,
Working in these walls of time,
Some with massive deeds and great,
Some with ornaments of rhyme,
Build today then, strong and sure
With a firm and ample base,
And ascending and secure,
Shall tomorrow find its place."

So for the "tomorrow" I present a man whom you have helped to make, a man such as the men of the past, a man of today, yet a man of tomorrow, one who is a builder and expander, yet wise, steadfast and true, a man who has matured in the country of progress and development, a man of vigor, impulse and action, a man of business achievements, a man who has been a commercial success, a developer of ideas and ideals, a maturer of plans, a man of accomplishments, possessed of mature judgment; he is a man whose broad shoulders have borne the cares of others and he can bear ours; a man with a master mind yet a kindly spirit, a man with a big heart and a warm nature; a man who loves his fellow men, big enough to be a successful business man yet holding out a helpful hand to the needy, caring for and protecting the unfortunate, a man who has honored his state and his city by his service, a factor in every civic, commercial and forward movement for the advancement of his city or the betterment of his fellow man; a citizen of whom any city might well be proud; a man among men, and one who will honor us by his acceptance.

Mr. President, I am accorded the honor of nominating as president of this Association your friend, my friend, our friend, for we all share in his great nature, Mr. Fred R. Salisbury, of Minneapolis. (Great applause.)

Mr. C. H. Walker, Grand Rapids—Grand Rapids seconds the nomination of Mr. Salisbury for president. Mr. Hutchins, to whom the speaker referred, is one of the distinguished citizens of Grand Rapids. We all regret his inability to be present at this convention. Mr. Hutchins has been an inspiration to our organization and we believe to the National Association of Credit Men in all its departments. In view of the existing conditions we most heartily second the nomination of Mr. Salisbury. I thank you.

Mr. Adolph Landauer, Milwaukee—I would now move that the nominations be closed, that the rules be suspended and that the secretary be instructed to cast the unanimous vote of this convention for our friend,

Mr. Salisbury as president of the National Association of Credit Men for the coming year. (Great applause.)

Nomination seconded by the Pittsburgh association.

President New—The motion is made that the nominations be closed, the rules be suspended and that the secretary be directed to cast the unanimous vote of the Association for Mr. Fred R. Salisbury, of Minneapolis, for president of the Association for the ensuing year.

Carried by unanimous vote amid great applause.

Secretary Tregoe—I cast the ballot of the Association for Mr. Fred R. Salisbury, of Minneapolis, for president of the National Association of Credit Men for the ensuing year.

President New—Mr. Fred R. Salisbury is unanimously elected president of the Association. (Great applause.)

Mr. H. W. Parker, St. Paul—Mr. President, I rise to a question of personal privilege.

President New—The chair recognizes Mr. Parker of St. Paul. I did not see him before or I should have recognized him. Mr. Parker, you may state your question of privilege.

(Mr. Parker ascended the platform.)

Mr. Parker—Mr. President, for four days you have been in command of this convention, and during that time you have exercised the power of a czar (Great laughter), yet with the graciousness and dignity of a sovereign withal. But, the time has come, sir, when I demand a place upon this platform, I demand the right to be heard, and if my demands are not granted, I shall bolt the convention and carry my delegates with me. (Great laughter, tremendous enthusiasm, applause and general disorder).

Mr. Parker (Resuming)—A year ago, sir, when you were called to the command of the good ship "Vigilantia," we all had confidence in your ability, and we knew that Admiral New (Laughter) would carry the ship safely over its course, avoiding derelicts and sunken reefs. Our confidence, sir, in you was well placed. You have given willingly and unstintingly of your time, your patience, your energy and your ability to the advancement of the work of the organization. I am sure that every member present regrets that my remarks can not be delayed another year.

"THE CLINK OF THE ICE."

"Notably fond of music, I dote on a sweeter tone
Than ever the harp has uttered or even the lute has known.
When I wake at five in the morning with a feeling in my head
Suggestive of mild excesses before I retired to bed;
When a small but fierce volcano vexes me sore inside,
And my throat and mouth are furred with a fur that seemeth a buffalo
hide,—
How gracious those dews of solace that over my senses fall
At the clink of the ice in the pitcher the boy brings up the hall!

"Oh, is it the gaudy ballet, with features I cannot name,
That kindles in virile bosoms that slow but devouring flame?
Or is it the midnight supper, eaten before we retire,
That presently by combustion setteth us all afire?
Or is it the cheery magnum?—nay, I'll not chide the cup
That makes the meekest mortal anxious to whoop things up:
Yet, what the cause soever, relief comes when we call,—
Relief with that rapturous clinkety-clink that clinketh alike for all.

"I've dreamt of the fiery furnace that was one vast bulk of flame,
And that I was Abednego a-wallowing in that same;
And I've dreamt I was a crater, possessed of a mad desire
To vomit molten lava, and to snort big gobs of fire;
I've dreamt I was Roman candles and rockets that fizzed and screamed,—
In short, I have dreamt the cussedest dreams that ever a human dreamed:
But all the red-hot fancies were scattered quick as a wink
When the spirit within that pitcher went clinking its clinkety-clink.

"Boy, why so slow in coming with that gracious, saving cup?
Oh, haste thee to the succor of the man who is burning up!
See how the ice bobs up and down, as if it wildly strove
To reach its grace to the wretch who feels like a red-hot kitchen stove!
The piteous clinks it clinks methinks should thrill you through and
through;
An erring soul is wanting drink, and he wants it P. D. Q.!
And, lo! the honest pitcher, too, falls in so dire a fret
That its pallid form is presently bedewed with a chilly sweat.

"My blessings be showered upon the man who first devised this drink
That happens along at five A. M., with its rapturous clinkety-clink!
I never have felt the cooling flood go sizzling down my throat
But what I vowed to hymn a hymn to that clinkety-clink devote;
So now, in the prime of my manhood, I polish this lyric gem
For the uses of all good fellows who are thirsty at five A. M.,
But specially for those fellows who have known the pleasing thrall
Of the clink of the ice in the pitcher the boy brings up the hall."

(EUGENE FIELD.)

(Great applause.)

(A punch bowl of silver and gold, beautifully chased and properly inscribed, was then presented by Mr. Parker to President New amid great enthusiasm.)

Mr. Parker—(Resuming)—This gift, sir, in size is in proportion to your suspected capacity. (Great laughter and merriment.) This token is presented to you, not because you are president, but because we love you (Long-continued applause), and we hope that the day will never be recorded when this bowl is not full to overflowing with the "wine that maketh glad the heart of man." (Applause.)

(The Pittsburgh Glee Club then sang a glee in honor of President New and of the city of Cleveland.)

President New—*Mr. Parker, Ladies and Gentlemen*—If this bowl is supposed to clink with the ice down the hall, you probably thought you were presenting it to Tregoe, not to me (Great laughter and applause), but as I see this gift adorning my home in the future, my memory will always go back to the year that I served you as an officer, and the many previous years. I have joined in the work of this organization and I do not expect that my service will cease here, but I expect to go right on in the ranks as before, even with more energy than in the past. For your kind words I shall always be grateful; and it is with deep gratitude that I thank you all for this gift, which will always be cherished by Mrs. New and myself. Especially we shall always prize the sentiment that accompanies the gift. (Great applause.)

(The Pittsburgh Glee Club then rendered a taking composition entitled "What good is water when you are Dry, Dry, Dry.")

President New—(After applause had subsided)—That sentiment is deeply appreciated and I will say that under the circumstances, I shall not probably hereafter be in the unfortunate position alluded to in the song. I was going to declare Mr. Parker out of order when he asked for the floor on a question of privilege, but I am glad I did not make that mistake. (Laughter.)

The next order of business is the receiving of nominations for first vice-president. The chair recognizes Mr. F. S. Flagg of New York. (Great applause.)

Mr. Flagg—The pleasure of presenting the name of the gentleman whose nomination it is my privilege to advocate, is made the more keen because of the fact that in naming him for the distinguished honor of first vice-president I am voicing a national demand. To extol his virtues or advance reasons for his selection would be almost an affront to you who know him so well. To tender him the highest honor that he now finds it possible to accept is a duty we owe him and therefore, speaking for the whole National Association, I present for the office of first vice-president, Charles E. Meek.

Mr. F. H. Randel—On behalf of the Cleveland delegation I deem it a personal privilege to second the name of Charles E. Meek as first vice-president. If ever there was a war horse in the organization that deserved honor, if honor could be given to anybody outside of our good past president, Mr. New, that man is Charles E. Meek. I hope that he will receive the unanimous support of the convention. (Great applause.)

Mr. D. L. Sawyer, Milwaukee—In behalf of the Milwaukee association it is my great pleasure to join in seconding the nomination of Charles E. Meek as first vice-president of the Association. (Great applause.)

Mr. James E. Porter, Pittsburgh—I move that the rules be suspended and the secretary be instructed to cast the unanimous ballot of the Association for Mr. Charles E. Meek for first vice-president.

Toledo also seconded the nomination.

President New—It is moved and seconded that the rules be suspended and that the secretary be instructed to cast the unanimous ballot of the convention for the election of Mr. Charles E. Meek as first vice-president for the ensuing year.

Unanimously carried.

The secretary then cast the unanimous ballot of the Association for Mr. Charles E. Meek in accord with the convention vote.

President New—The unanimous ballot of the Association having been cast for Mr. Meek, I declare him duly elected first vice-president of the National Association of Credit Men for the ensuing year.

We will now receive nominations for second vice-president.

Mr. F. H. McAdow, Chicago—(Enthusiastic applause.)—I assure you I heartily appreciate your generous recognition, but be careful about doing a thing of that sort for you might upset a fellow when he comes up here with something special in his mind. (Laughter and applause.) It has always been claimed and never been contradicted, it can, indeed, always be stated without fear of successful contradiction, that our Association develops men and manhood; that it broadens the horizon, widens the experience, and brings out a strength of personality that the men themselves did not recognize they possessed. I believe this

is true of our Association and true in the case of the man whose name it is my privilege to present for the office of second vice-president.

Down at the head of the Ohio river is an association, the third in size among our affiliated branches. That association, following the custom of our modern civilization, has been specializing and their way of specializing in credits seems to have been this: they believe that the earth and its fullness ought to belong to the credit man; that he ought to live on the fat of the land, and that in carrying out that view they have specialized on the mid-week luncheon, and have made such a success of it that if we had been invidious in our dispositions, we should certainly have been jealous of them; but instead, we have all continuously rejoiced in the success they have attained. Now, I realize, and I think that this organization realizes, that there may sometimes be an association of ideas; and I think all will agree with me when I declare for them that we never believe in giving a credit man a raw deal, and are never willing to get mixed up in a row if there is any way to get out of it. (Great applause.)

Now, this power of personality is exemplified in the branch I am speaking of in one man, a man who in his own association, among his neighbors, among those who know him best, has been able by his own personal efforts and his own personality, to gather about him men who have been loyal to him, and not alone that, they have been loyal to their association, loyal to its work and loyal to the interests in the cause of our whole organization, and these men believe in him with an almost paternal feeling, a loyal feeling, and they are willing and feel that they are doing only their duty to him and to us if they share with the National Association the abilities which he has shown so conspicuously in the administration of the affairs of his own organization. And it is an especial pleasure and privilege to me to be permitted to present his name for this office. I do this with all the greater pleasure as I have the privilege of being an honorary member of that association; but not that alone—for every reason, it is my great pleasure to present for the office of the second vice-president of this Association the name of the Hon. Enoch Rauh of Pittsburgh. (Long-continued applause.)

Mr. J. L. McWhorter, Nashville—Down in Tennessee where I live there is an old saying that you should not permit a young man to visit your daughter unless you are willing to accept him as a son-in-law. Under our plan of promotion we should elect no man second vice-president of this Association on whom we are unwilling to bestow our highest honor. In Enoch Rauh we have such a man. When the banner is placed in his hands, as I have no doubt it will be one of these days, he will maintain for this organization the same high standard which has characterized the administrations of Harry New, of McAdow, of Gettys, of dear old Fessenden, and of Tregoe and all of those worthy predecessors of his; so, Mr. President, on behalf of Nashville I take great pleasure in seconding the nomination of Enoch Rauh for the office of second vice-president of this Association. (Great applause.)

Mr. J. H. Kentnor, St. Louis—I am glad to be able to extend to the candidate named the support of the great southwest. St. Louis, which city I represent, and the state of Missouri, which is behind St. Louis, as well as the whole southwestern country, join in putting forward the name of Enoch Rauh for second vice-president. I am sure that the amount of energy that he has shown in the past, and the great work that he has done in the upbuilding of the Association, indicates that for

him there is great promise for the future, and I take great pleasure in adding to the motion made by Mr. McAdow and seconded by Mr. McWhorter, the name of St. Louis.

Mr. H. G. Barbee, Norfolk—At Norfolk it is said if you want to raise a row take it to the credit man. We do not mind having that reputation on certain occasions, and this is one of the peculiar occasions that we are glad to take part in helping raise Mr. Enoch Rauh (Laugh-



RICHARD J. MORAWETZ
The Morawetz Company, Milwaukee, Wis.
Director

ter and applause), and on behalf of Norfolk I second the motion and wish to see him elected unanimously. (Applause.)

Motion was made on behalf of the Detroit delegation that the nominations be closed, that the rules be suspended and that the secretary cast the ballot of the convention for Mr. Enoch Rauh as second vice-president for the ensuing year.

Motion seconded and unanimously carried.

The secretary then cast the ballot of the Association for Mr. Enoch

Rauh for second vice-president of the Association for the ensuing year, and the president declared Mr. Rauh unanimously elected.

(The Pittsburgh Glee Club then sang a song in honor of Mr. Rauh.) (Great applause.)

President New—At this time I will request the ex-presidents who are attending this convention to come to the platform. Will Mr. McWhorter and Mr. Lewis escort Mr. Young; will Mr. Kentnor and Mr. Ainslee escort Mr. Fessenden; will Mr. Bayly and Mr. Oatley escort Mr. McAdow?

President New—At Minneapolis Mr. Fessenden referred to a famous wax-works display, and we want to have that display this afternoon. I will introduce Mr. E. A. Young, of St. Paul. (Great applause.)

Mr. Young—It has become a custom, it seems, at the last two conventions to drag up to the platform at the end of the meeting all of the has-beens. (Laughter.) Thank God, next year we will have another has-been, and the gentleman who presents us today will be along with us. (Laughter.)

Mr. New—I think that the convention would like to hear a word from Mr. F. H. McAdow.

Mr. McAdow—I thank you, Mr. President, for the recognition. I thought I would escape because I had just been occupying some of your time. I know just how Harry New is going to feel about tomorrow. I came to this convention this year free from care and prepared to have a better time than at any convention within the last five years; and I want to assure you that I have had it, and I have had no objections to being classed with such a distinguished row of wax-works or "has-beens" as this is. (Applause.)

President New—I will call on Mr. McAdow and Mr. Young to escort ex-President Tregoe to the wax-works row.

Mr. Tregoe—I dare any member of this convention to call me a "has-been" (Laughter), and I want to resign immediately from this wax-works exhibition. I am in the harness; I have enjoyed it; and have been "jollied" by my predecessor; I am living and we are all going back home after this great meeting is over to make the record of our association life. (Great applause.)

President New—The committee sent out in search of Mr. Fessenden is reporting progress. (Great laughter.) I do not know how far down the street they have got. While we are waiting for him I will now ask Charles Biggs, of New York, and Mr. Morton, of Boston, to escort Mr. Salisbury, our new president, to the chair.

President New—Mr. Salisbury, in presenting to you this gavel, the emblem of this office, I know that it is in good hands. Your record of sixteen years in the service of this Association is known by all of us, and we are glad to greet you as the head of this organization. (Great applause.)

President Salisbury—I find at this time that I have failed to post myself upon the exact etiquette of an occasion of this kind; but I also realize that I have been inaugurated into office. I also remember my St. Paul friend (Mr. Parker) saying something about the president of this Association being a czar. Accordingly, I will assume the prerogatives coming to me as such and carry on the work of this convention in a manner befitting a czar, presenting my own case first.

If I had the vocabulary of our secretary, Mr. Tregoe, I would still

be unable to express in any degree my appreciation for the kindness, consideration and honor shown me by the delegates to this convention.

I have given little thought to the future, but within the last few minutes there is ringing in my ears a voice that perhaps no one but myself could hear, but loud and insistent to me, asking me this opportune question: Can you carry on the work of this Association in a manner acceptable to its members and in a manner that will favorably compare with the work done by that long line of competent, capable, honorable men who have preceded me?

(Voices: "You can, you can," and loud cheers.)

I have grave doubts of my ability, but I promise you that I will try my best. I will accept the responsibility, but I wish you to remember that your responsibility is not chiefly in electing me as president of this grand Association. I know you realize it; but I wish to call to your attention once more, that after this meeting your responsibility begins with mine, begins anew with another year. This work must be carried on vigorously; there must be no halting in our ranks; you have assumed a double responsibility, first, your own action today, and, second, the responsibility of going back to your several associations and impressing them with the importance of our work.

I do not wish to make a speech of acceptance; I simply wish to place myself upon record as being willing to do my best, and request you earnestly to support me in every movement of our great cause. I thank you. (Enthusiastic applause.)

President Salisbury presiding.

President Salisbury—I will now ask Mr. D. G. Endy, of Philadelphia, and Mr. R. S. White, of Chicago, to escort Mr. Charles E. Meek, first vice-president, to the platform.

President Salisbury—in order that you may know who this is now standing before you, I take great pleasure in introducing Mr. Meek, whom you have elected first vice-president.

(The Pittsburgh Glee Club sang and the brass band played in honor of the newly elected first vice-president.)

Mr. Meek—I thank you for the renewed confidence which you have placed in me today, and I simply renew the pledge that I made to you a year ago, that I would give my best effort to the service of the organization as its second vice-president. After hearing the magnificent speech the newly elected president made, I will only say that I will stand with him, will give him every ounce of assistance that is within me, and will work honestly and faithfully for the National Association of Credit Men. I thank you for this honor. (Great applause.)

President Salisbury—Now, will Mr. Barclay of St. Louis, and Mr. Hayes of New York escort Mr. Enoch Rauh to the platform—our newly elected second vice-president.

President Salisbury—I take great pleasure in introducing to you my second running mate, Mr. Enoch Rauh, of Pittsburgh.

Mr. Rauh—I appreciate beyond the mere expression of words the honor that you have accorded me this afternoon. I have received some honors in public life, but I consider this honor accorded me by the business men of this convention the greatest that I have ever received. (Great applause.)

Sixteen years ago had anybody said that the National Association of Credit Men would be what it is today, the words of Socrates would have been most applicable, when he said:

"The man is thought to be a knave or fool who for the advancement of his race is wiser than his time.

"For him the hemlock shall distil,
For him the ax be bared,
For him the gibbet shall be built,
For him the stake prepared."

But, gentlemen, we are today an organization that has a national power, and may it ever be so is my sincere and earnest wish. I have a message to deliver to you. It is not exactly apropos, but I want to deliver it as the first message from the new second vice-president. Our publicity man received a telegram today from the Development Commission of Pittsburgh, which reads somewhat as follows:

"Can you secure fifteen hundred laboring men in Boston and bring them to Pittsburgh?" I wish to show you that we are short of men there in our iron and steel mills; and that we need labor there; and you know when the iron and steel business is good what this means to the country at large. (Great applause.) I will close with this one sentiment:

"May your homes and those of all your dear ones be forever sheltered and protected from the storms and vicissitudes of life; and may the richest blessings that a gracious Providence can bestow upon you and yours be showered upon you throughout your days." (Great applause.)

President Salisbury—The next business before us is very important, the election of directors. As tellers I will appoint A. H. Dobson, of Utica, H. C. Burke, Jr., Fort Worth, Newman Essick, Los Angeles, H. J. Bruehler, Cleveland, W. B. Cross, Duluth, Oscar S. Kulman, Savannah, A. W. Pickford, Philadelphia. We will now hear the report of the Committee on Credentials.

Secretary Tregoe—The Committee on Credentials has prepared its report. The sheets have been prepared for each delegation and they will be passed to the delegates by my assistants, Mr. Montgomery and Mr. Howard. On these sheets will be found just the number of votes that each delegation is entitled to vote, in accord with the registration and enrolment. The ballots will also be passed. After the ballots have been filled in, please give them to the chairman of your delegation. The ballot boxes will be placed at both sides of the platform, and the chairman will come forward and deposit ballots in the ballot boxes, and the individual members will also deposit theirs in the same manner.

The ballots were presented as follows:

"OFFICIAL BALLOT

The following gentlemen have been nominated as Directors of the National Association of Credit Men and respectfully submitted to the convention by the Committee on Nominations, and of which nominees, thirteen are to be elected agreeable to the Constitution and By-Laws of the National Association of Credit Men.

Put X mark opposite thirteen names.

H. G. Barbee, Norfolk, Va.

H. P. Boyd, Baltimore, Md.

R. P. Crockett, Nashville, Tenn.

A. C. Carpenter, New Orleans, La.

J. G. Davis, Dallas, Texas

James A. Dick, El Paso, Texas.

Frank S. Flagg, New York, N. Y.

Ira D. Kingsbury, Rochester, N. Y.

C. A. Loring, Mishawaka, Ind.

(Individual Member)

F. B. McComas, Los Angeles, Cal.

L. B. McCausland, Wichita, Kans.

C. R. Miller, Portland, Ore.
Wm. D. Morgan, Hartford, Conn.
(Individual Member)
R. J. Morawetz, Milwaukee, Wis.
W. H. Muench, Cincinnati, Ohio.
George C. Morton, Boston, Mass.

George W. Oatley, Utica, N. Y.
Arthur Parsons, Salt Lake City,
Utah.
Wm. A. Petzold, Detroit, Mich.
Fred J. Smith, Buffalo, N. Y.
H. E. Smith, Columbus, Ohio."

Mr. Fessenden was then called for.

President Salisbury—Permit me to present Mr. O. G. Fessenden, of New York.

Mr. Fessenden—It is an awful thing to be presented to a thousand men and women as a terrible example. As I stood here on the platform I appreciated how Mr. Salisbury felt, and how I felt at Memphis when lightning struck me. It was the greatest honor that ever came to me, six thousand members then, sixteen thousand today, three years hence twenty thousand. I see in the future fifty or one hundred thousand members (Applause); and looking back to us they will say we were the men who started this great movement and made the credit system of this country what it is today. Good luck to you all. (Great applause.)

Secretary Tregoe—I will call the roll and the ballots will be distributed. The tellers will check the ballots as they are cast.

Secretary Tregoe—Mr. George W. Oatley, of Utica, has withdrawn as a candidate for director.

President Salisbury—As a matter of special privilege the San Francisco delegation desires to read communications to the convention, and in view of the fact that its members are obliged to leave the city within a very short time, unless there is objection on the part of the convention we will listen to the reading of these communications.

Mr. B. L. Meininger, San Francisco—It gives me pleasure to read to you the following communications which have been sent from San Francisco, asking that the convention of this Association be held in San Francisco, the "Exposition City," in 1915.

I.

"San Francisco, Cal., June 18, 1912.

"National Convention of Credit Men, Boston, Mass.

"San Francisco extends an invitation to the National Association of Credit Men to hold its convention in San Francisco in 1915. We assure you and your friends of a hearty welcome and will entertain you royally in the world's exposition city of that year.

JAS. ROLPH, JR., Mayor, San Francisco."

II.

"San Francisco Convention League,
"San Francisco, Cal., June 3, 1912.

"To the Members of the National Association of Credit Men.

"GENTLEMEN:

"In behalf of the community of San Francisco, I have the honor to extend to you a cordial and sincere invitation to hold your convention for the year 1915 in San Francisco. The people of this city will be proud indeed to become your hosts upon that occasion, and we feel that we

will be able to entertain you in a befitting manner. The great task of building the World's Fair, which will be one of the most magnificent and beautiful affairs of its kind ever held, will then have been completed and it will afford the members of your Association an opportunity to view one of the greatest engineering feats of modern times.

"San Francisco will be glad to throw her golden portals open to you and bid you thrice welcome, and her people entertain the hope that they may soon learn of your determination to honor them with your presence here in 1915.

"Yours very sincerely,

FELTON TAYLOR, Secretary."

III.

"Office of the President,
Panama-Pacific International Exposition.

"June 6, 1912.

"DEAR SIRS:

"We have delegated Mr. W. T. Hovey, of San Francisco, Cal., to appear before your convention upon the occasion of its meeting in Boston, as the representative of the Panama-Pacific International Exposition. He will extend to the members of your Association an invitation on behalf of the exposition, to hold your 1915 meeting here.

"We ask for him the courtesy of a hearing before the convention, and earnestly hope that the sentiment of your convention will be in favor of selecting San Francisco for its 1915 meeting.

"Yours very truly,

CHARLES C. MOORE, *President.*"

Mr. Meininger—I trust that the directors will so decide and select San Francisco in the year 1915, and that the convention will be held there. I can assure you you will all be received with open arms and accorded a hearty welcome and treated royally. (Great applause.)

After a word of thanks to Mr. Meininger expressed by President Salisbury, Secretary Tregoe presented the following report of the Committee on Audit:—

"Boston, Mass., June 20, 1912.

"*To the National Association of Credit Men, in convention assembled:*

"Your auditing committee begs to report that they have audited the books of the secretary-treasurer, J. H. Tregoe, checking all disbursements with vouchers and verifying the receipts for the year. We find the records in proper form and the cash balance as reported in agreement with statement furnished by the Fourth National Bank of New York at the close of the fiscal year.

"Your committee takes the privilege of recommending to the Board of Directors the advisability of installing an improved system of vouchers and accounting better suited to handling the increasing revenues of the National office; and that they also consider the matter of having the books audited at intervals by a public accountant.

"Respectfully submitted,

JAMES E. PORTER,

FRANK H. RANDEL,

F. H. McADOW, *Chairman.*"

Mr. McAdow—I move the adoption of the report.
Motion seconded and unanimously carried.

President Salisbury—The next order of business is the report of the Committee on Resolutions, Mr. Charles D. Joyce, of Philadelphia, chairman.

Mr. Joyce—The Committee on Resolutions reports favorably on the following resolutions and recommends their adoption:

I.

"WHEREAS, Great interest is displayed in the formation of a National Chamber of Commerce, as evinced by the attendance at the conference of delegates, with representatives from every state in the Union, besides Alaska, Hawaii, the Philippines, Porto Rico and the American Chambers of Commerce in Paris, Brussels and Constantinople, said conference being held in Washington, D. C., April 22 and 23, 1912, thus representing the national commercial interests in a more comprehensive manner than ever before, and

"WHEREAS, The proposed National Chamber of Commerce will provide a more effective means of creating an avenue for prompt and reliable conference between the government and our great business and industrial forces, in assisting to bring about the best constructive legislation for the protection of commercial interests and promotion of healthy growth, and extension of both foreign and domestic commerce, therefore be it

Resolved, That the National Association of Credit Men promptly support this great movement by becoming a member of the proposed National Chamber of Commerce, and be it further

Resolved, That we recommend that all local associations and individual members thereof affiliate themselves with this important national organization."

Motion made, seconded and unanimously carried adopting the report, and so ordered.

II.

"WHEREAS, All cities and communities on the Ohio, Missouri and Mississippi rivers are subject to destructive floods from the drainage basin between the eastern and western mountain chains, and

"WHEREAS, These floods yearly result in great loss of life and, besides, the loss of millions of dollars to the agricultural and business interests of this country, thus materially adding to the high cost of living, and

"WHEREAS, The safety of life and property in the flood zones surrounding the Mississippi river and its tributaries can be assured only by some system to check flood formation and overflows, which system should be national in character, it is therefore

Resolved, That the National Association of Credit Men, in convention assembled, recommends national control of the Ohio, Missouri and Mississippi rivers and the harbors thereof, and further recommends that the plans for flood prevention and the protection from overflow of the lowlands of the Mississippi valley and all its tributaries and source

streams be considered in their entirety, and a comprehensive and adequate system for this purpose be established and permanently maintained by the federal government."

Motion made, seconded and unanimously carried adopting the report, and so ordered.

III.

"WHEREAS, The American Bankers' Association, many members of which are loyal members of the National Association of Credit Men, has taken steps to secure national legislation with a view to enforcing the enactment of a uniform bill of lading law, particularly for the purpose of making common carriers responsible for the acts of their agents, in the issuance of bills of lading, therefore be it

"Resolved, That this Association, in convention assembled, suggests to the incoming Legislative Committee that it consider the question of co-operating with the American Bankers' Association, for the purpose of obtaining this important piece of legislation."

Motion made, seconded and unanimously carried adopting the resolution, and so ordered.

IV.

"WHEREAS, The tendency to allow excessive and unreasonable datings on the sale of merchandise is occurring with increasing frequency, and

"WHEREAS, Such practice has the effect of weakening credits and tends to create in general business an unhealthy and abnormal condition, therefore be it

"Resolved, That the National Association of Credit Men, in convention assembled, does hereby recommend that in every branch of trade, datings that are unnecessary, unreasonable and unwarranted be as far as possible discouraged and avoided."

Motion made, seconded and unanimously carried adopting the resolution, and so ordered.

V.

"WHEREAS, There are pending in congress measures recommending the adoption of one cent letter postage; therefore be it

"Resolved, That the National Association of Credit Men emphatically expresses its approval of one cent letter postage, and respectfully urges congress to enact proper legislation looking to that result."

Motion made, seconded and unanimously carried adopting the resolution, and so ordered.

VI.

"WHEREAS, A resolution tendered by the Membership Committee and unanimously adopted urges all local associations to discriminate in accepting members in such way as to conform to the qualifications set out in the Constitution and By-Laws of the National Association of Credit Men for the acceptance of individual members, therefore be it

"Resolved, That this convention reaffirm in a still more urgent manner the spirit and letter of that resolution and recommend that the sec-

retary-treasurer of the National Association mail separate and apart from any other communication a copy of this resolution to the president and secretary of each of the local associations."

Motion made, seconded and unanimously carried adopting the resolution.

VII.

"WHEREAS, The delegates to this convention though deeply appreciative of the advantage of Adjustment Bureaus fully realize that to be successful and permanently useful they must be surrounded with safeguards and made proper auxiliaries of our Association; therefore, be it

"Resolved, That the incoming Board of Directors employ a capable assistant to work under the direction of the Adjustment Bureau Committee and the secretary-treasurer of the National Association, the duty of such assistant to be to study the bureaus now in operation and aid them in adopting uniform plans and methods of administration."

Motion made that the resolution be adopted.

Mr. D. S. Ludlum, Philadelphia—I second the motion. I sincerely hope the Board of Directors will act upon it. At the Chicago convention of 1906 a recommendation similar to the present one was offered and I think we lost five years in this work by not adopting it at that time. The sooner we get somebody whose sole duty it is to look after the interests of the adjustment bureaus, the quicker we will reach a final conclusion that will be satisfactory to every one. (Great applause.)

Motion unanimously carried adopting the resolution and so ordered.

VIII.

"WHEREAS, The increase of business transactions with governments and municipalities at home and abroad has developed a class of credit risks difficult of analyzation; therefore be it

"Resolved, That the Board of Directors appoint special committees, each consisting of not less than five members, to investigate such domestic and foreign credits, and to report the results of their investigations to the Board of Directors and to the convention of 1913."

Motion made, seconded and unanimously carried adopting the resolution and so ordered.

IX.

"WHEREAS, During the past twelve months there have been undertaken and successfully conducted in several of our large cities throughout the country, courses in 'Credit Management,' and

"WHEREAS, The National Association of Credit Men has always been a factor in business education and recognizes that a great step has been taken in making the occupation of the credit man a profession, which should be a matter of satisfaction to the Association, be it

"Resolved, That a special committee on credit management and education be hereby created, and a committee of not less than five members be appointed by the president to take up this phase of our work with the view to carrying it on effectively."

Motion made and seconded and unanimously carried adopting the resolution.

X.

"WHEREAS, The delegates to the seventeenth annual convention of the National Association of Credit Men appreciate to the full extent the generous hospitality of the Boston Credit Men's Association, therefore be it

"Resolved, That we, the members of the National Association, in convention assembled, extend to the members of the Boston branch our sincere thanks for the entertainment provided visiting delegates, members and their families, and record our appreciation for arranging such excellent facilities for the transaction of the convention's business, and for the comfort and pleasure of all."

Mr. F. H. McAdow, Chicago—I ask the privilege on behalf of the Chicago delegation of moving the adoption of this resolution. We are not going to be able to express in words what we feel deeply in our hearts. We want our Boston friends to understand this in a way that will be more adequate than a mere formal expression. Now, in order to emphasize our feelings a little better, I ask that this resolution be adopted by a rising vote.

Motion seconded and unanimously carried by a rising vote.

XI.

"Resolved, That we, the members of the National Association of Credit Men, in convention assembled, do take great pleasure in extending our heartiest thanks to our president, vice-presidents, secretary-treasurer, board of directors and members of committees, for the able and conscientious manner in which they have performed the various important and often exacting duties which devolved upon them during the past year, all making advances in their special departments of Association work since the last convention, and further be it

— "Resolved, That we express our appreciation of the excellent reports presented to this convention by our officers and committee chairmen, all of them evidently prepared with the consciousness that they are to determine to a large extent the lines of thought of the Association during the coming year, and we recognize that to the zeal and fidelity of our officers and committeemen in behalf of the best interests of the Association, more than to anything else, is due the position of dignity and prestige which this Association holds in the commercial world."

Motion made, seconded and unanimously carried adopting the resolution and so ordered.

XII.

"WHEREAS, Hon. Elmer H. Stevens, state treasurer, representing the governor of the great commonwealth of Massachusetts, welcomed us in a most cordial manner, therefore be it

"Resolved, That it is the sense of this Association in convention assembled that we are under great obligation to Mr. Stevens for his masterly address, illuminating as it did, the many virtues of the people, the city, and the state he so ably represents, and be it

"Resolved, That, recognizing that Mr. Stevens is especially to be commended because of the short notice he had to prepare his address, we hereby extend our hearty thanks for his efforts and cordial welcome."

Motion made, seconded and unanimously carried adopting the resolution and so ordered.

XIII.

"Resolved, That this convention records with the deepest sense of pleasure its obligations to the executive of this splendid city for his words of greeting and cordial cheer at the opening of our deliberations. We are convinced that his attitude of welcome was dictated solely by a spirit of true hospitality and that Boston had indeed thrown wide her portals and put the keys of her gates into our possession. It is the desire of this convention that these words be conveyed to His Honor, John F. Fitzgerald, Mayor of Boston, as an expression of our appreciation."

Motion made, seconded and unanimously carried adopting the resolution and so ordered.

XIV.

"WHEREAS, The members of this convention have heard with interest and satisfaction a number of excellent addresses which were ethical, practical and inspiring, making for real advancement, and

"WHEREAS, We believe that these addresses will be of much immediate and permanent benefit, and realize that we have enjoyed these advantages through no little sacrifice and effort on the part of the speakers, therefore be it

"Resolved, That the members of this Association in convention assembled at Boston, hereby tender their most sincere and hearty thanks to Mr. Frederick P. Fish of Boston, to Mr. Geo. H. Williams of New York, to Mr. W. H. Muench of Cincinnati, to Mr. Sereno S. Pratt of New York, to Prof Edwin F. Gay of Cambridge, to Hon. James M. Olmstead of Boston, to Mr. H. W. Parker of St. Paul, to Mr. Henry C. Scott of St. Louis, to Hon. Chas. S. Hamlin of Boston, to Mr. Henry W. Eaton of New York, to Mr. George W. Babb of New York, to Mr. F. B. McComas of Los Angeles, to Mr. Julius Henry Cohen of New York, to Mr. Granville Fortescue of Washington, D. C., to Hon. Ernest W. Roberts of Massachusetts, to Hon. John W. Weeks of Massachusetts, to Mr. Harry P. Boyd of Baltimore, and to Mr. J. Howard Reber of Philadelphia."

Motion made, seconded and unanimously carried adopting the resolution and so ordered.

XV.

"WHEREAS, The various daily newspapers and journals of Boston have liberally published the proceedings of our convention and have extended such other courtesies as were within their power in an effort to further the cause for which we struggle, be it

"Resolved, That the National Association of Credit Men does here give voice to its appreciation of the interest these papers and journals have shown and extends thanks for the work they have done in our behalf."

Motion made, seconded and unanimously carried adopting the resolution and so ordered.

XVI.

"WHEREAS, The *Daily Trade Record* of New York has again during the past year given publicity to the work of the various affiliated branches

and at considerable expense has again reported in detail the proceedings of the annual convention of the National Association of Credit Men, therefore be it

"Resolved, that this convention extend to the management of the Daily Trade Record its appreciation of its enterprise and the efforts of its representatives."

Mr. Cyrus Lewis, Pittsburgh—I want to endorse the able work that the *Daily Trade Record* has furnished to this convention. It has given us the information that we desire. Therefore, in behalf of Pittsburgh I want to endorse the resolution.

Motion unanimously carried and resolution declared adopted.

XVII.

"WHEREAS, The New England Telephone and Telegraph Company has given its services free in Boston proper to the delegates, therefore be it

"Resolved, That this convention expresses to the company sincere appreciation of its services."

Motion made, seconded and unanimously carried adopting the resolution, and so ordered.

XVIII.

"WHEREAS, The social enjoyments which are properly a very important part of our annual conventions, are largely due to the gracious presence among us of many of the wives and daughters of our members, and

"WHEREAS, We are deeply indebted to the ladies of the Boston Credit Men's Association for their charming hospitality and for the delightful program they arranged and carried out so successfully, therefore be it

"Resolved, That we do express our acknowledgment of the honor the ladies have bestowed upon us in favoring us with their presence at this convention, and be it further

"Resolved, That we do by rising vote most gratefully and earnestly express our appreciation to the ladies of the Boston Credit Men's Association for their open-hearted reception, which we hope it may be our happy experience to reciprocate at some future time."

Motion made, seconded and unanimously carried, adopting the resolution by rising vote.

President Salisbury—I take great pleasure in announcing the unanimous vote in favor of the last resolution, and its unanimous adoption. I would like also personally to express my thanks to the Committee on Resolutions for its very able report, which you have so heartily approved.

Mr. J. W. Daniels, Philadelphia—I think very few of the delegates realize the amount of work and thought involved in preparing the report of the Committee on Resolutions. The number of empty seats here at this session emphasizes the demand that the order of business be changed. We could just as well have the resolutions put while we have a full attendance, instead of so many absentees.

Mr. D. S. Ludlum, Philadelphia—Following Mr. Daniels' remarks, I would ask if it is a set course of procedure which requires that we have these resolutions at the very end of our convention, or can we change the procedure by offering a resolution at this time?

President Salisbury—I would rule that the directors have the power to arrange the order of business. I am not fully posted on that point, but I think no objection would be made.

Mr. Ludlum—Then I offer a resolution that the board look into the subject of having the resolutions presented by the Committee on Resolutions read prior to the elections at the next convention.

Seconded.

Mr. F. H. McAdow, Chicago—I think we do not need a resolution on this subject. I am not sure but that the constitution governs this point. We are the delegates to this convention and it is our business to be in our seats for the report of the Committee on Resolutions as for any other part of the work. I have no objection to passing the resolution, but that will not cure the trouble. What we want is to emphasize the necessity of delegates attending all sessions of the conventions.

Mr. D. G. Endy, Philadelphia—I agree that it is the duty of the delegates to remain in their places till the convention adjourns *sine die*. I have endeavored to remain in my seat during the entire course of the proceedings, and I think it is the duty of every delegate to do the same thing. But notice the absence of delegates here. Now, if we can introduce at the end of our sessions an important part of our proceedings so that all the members will stay in their places, I think it would be well for the board to take the matter up.

Mr. C. H. Walker, Grand Rapids—I move that the resolution offered by Mr. Ludlum be laid on the table.

Mr. E. F. Sheffey, Lynchburg—I second the motion. It is true, as Mr. McAdow says, that we should be in our places, but as President Cleveland once said: "It is not a theory but a conviction that confronts us." We are *not* in our places. We passed a resolution with reference to the Adjustment Bureaus, containing a recommendation to secure a man costing from \$3,000 to \$5,000 a year to take charge of these bureaus; and we did it with a small number here. I believe this step should be taken, but I would have liked to have the whole convention here to endorse such a proposition. We should all be present to vote on important matters.

Mr. D. S. Ludlum, Philadelphia—I appreciate what our duty is as well as Mr. McAdow does. It is the duty of men to go home at night, but they occasionally fail to do so. The fact is that we do *not* remain here. We all go away. We leave important business to be transacted by a few delegates. Mr. Levi did and I had to go after him. (Laughter.) I hope the resolution will prevail.

President Salisbury—Will you state your motion again?

Mr. Ludlum—I move that a resolution be adopted that the Board of Directors ascertain whether or not under our constitution it be possible for us to have the report of the Committee on Resolutions read prior to the annual election, and if so change the order of business to accomplish that result.

Mr. Harry New, Cleveland—Why can we not request the Board of Directors to arrange for an amendment to be introduced in the constitution permitting a change in order of business at conventions. Such amend-

ment could be passed by the next convention in ample time to enable it to receive an early report of the Committee on Resolutions.

Mr. Ludlum—I will accept that suggestion.

Mr. Charles D. Joyce, Philadelphia—I would like to say to delegates still remaining in the hall that I believe the change in this order of business would have a helpful effect upon the Committee on Resolutions of next year. The members of our present committee, including myself, who have attended a number of these conventions, felt that we were preparing resolutions which would receive little if any attention; we felt rather provoked that we had to give our time night after night, framing up language which might be appropriate or more or less elegant, to be listened to and not to be criticised. The Committee on Resolutions courts criticism. That committee's work gives this Association more publicity than it gets through the reports of other committees. It would have pleased me to see some of our resolutions challenged, discussed, changed or amended. They went through in their entirety, yet very likely they should not have done so.

President Salisbury—You consent, Mr. Ludlum, to changing your motion to instruct the directors to present a proper amendment to the constitution to effect the change desired—is that the proper understanding?

Mr. Ludlum—Yes. I accept Mr. New's suggestion.

President Salisbury—The situation now is to recommend to the Board of Directors that an amendment to the constitution be offered for consideration at the next convention changing the order of business so that the Committee on Resolutions may report before the election of officers.

Motion seconded and unanimously carried.

President Salisbury—Is there any unfinished business to be transacted at this time?

Secretary Tregoe—There is none.

President Salisbury—We will take up the subject of miscellaneous business. Mr. H. G. Quimby, of Toledo, has a message from Toledo which he wishes to present to us.

Mr. Quimby—The Chamber of Commerce Club of Toledo, requests the National Association to hold its next convention at Toledo. This invitation is signed by E. R. Kelsey, president of the Convention Bureau, and John A. Dyer, secretary.

I am not going to make a speech; there is not the time. The Toledo delegation would not have mentioned this at all, but it simply means that the business men and the financiers of Toledo want the convention. They are back of the invitation; and they are going to do all in their power, with all that the Commerce Club can do, to give the convention the best possible time. We have been successful with every convention that has been there. We have the money, the men and all the facilities. If we cannot have it next year we will fight for it again, and the only way to get rid of us is to give us the convention. (Great applause.)

Secretary Tregoe—I have a communication addressed to me as secretary-treasurer, dated June 18th, over the signature of the Detroit Association of Credit Men, signed by W. A. Petzold, president, and Walter S. Campbell, secretary. It says: "Our association voted unanimously at its May meeting to extend to the National Association a cordial invitation to hold its annual convention for 1913 in this city, and offers to give the members who attend that convention the time of their lives, as well

as to afford every facility for the transaction of the business of the organization. We assume that we do not need to dwell on the attractions of our city, and its hospitality. Suffice it to say, nothing will be lacking on our part toward making this the most enjoyable and successful meeting the national body ever had; and we are not unmindful of the record of other cities. Trusting we may have the pleasure of entertaining you in 1913."

I have received a telegram from L. B. Rogers, who up to a short time ago was president of the Wilmington association. He moved to Asheville, North Carolina, and was thus obliged to sever his connection with the Wilmington association. "He says: "Regret very much unable to attend. Enroll me as an individual. Expect to have a branch here soon." (Laughter and applause.)

Mr. W. C. Kennedy, Los Angeles—I greet you, Mr. President, and the members here present in the same thankful spirit that has been felt for the many good things tendered to us, and I offer a preamble, with a resolution in that spirit:

"WHEREAS, Kind fortune has afforded in New England and the East generally many fields for American energy to build up great communities and in turn opportunities for work for Credit Men's Associations, and

"WHEREAS, There are certain disadvantages under which the benighted people of the East are obliged to labor, and

"WHEREAS, Kind Nature in her gentlest mood has given to glorious California a climate that she has intended all good credit men should avail themselves of, and has placed the oriental gateway and imperial city of Los Angeles at the disposal of us all with its coruscating, scintillating and warm-hearted hospitality; now, therefore, be it

"Resolved, That the National Association of Credit Men in convention assembled thank Dame Nature for the provision made by the shore of the sunset sea for the increased longevity, welfare, comfort and enjoyment of worthy credit men and others after their national conventions."

I move the adoption of this resolution.

Motion seconded.

Mr. D. S. Ludlum, Philadelphia—I move that the resolution be handed to the Board of Directors for consideration, because we cannot pass any resolutions endorsing any city at this convention for holding the next convention.

Mr. Kennedy—The casual reading of the resolution will disclose that there is no mention, reference or thought of such an illegal action.

President Salisbury—I think it is clearly in order.

Mr. F. H. McAdow, Chicago—I think it would be most ungrateful to accord to this resolution, characterized as it is by the brilliant rhetoric and poetic fancy of the Golden West, the unchivalrous treatment suggested. Therefore, on behalf of the Chicago delegation, I second Mr. Kennedy's motion.

President Salisbury—The vocabulary of our language being now exhausted, I will put the motion.

Unanimously carried. (Applause.)

Mr. Max Silberberg, Cincinnati—The Cincinnati Commercial Association, consisting of sixteen hundred of the most influential men that we have in the city of Cincinnati, sends to you a cordial invitation to

hold your next convention in Cincinnati. (Great applause.) We have received hospitality from the various cities, and we now feel that we want to reciprocate. Reciprocation is a word that is loved by every American citizen. We now want to have the opportunity to carry it out. Cincinnati is centrally located; we have the facilities to entertain you; we are now erecting a building that will be thirty-four stories in height, and I will assure you when you come to Cincinnati we will take you to the top of that building, and you will be near enough to be able to tickle the angels' feet. (Great laughter and applause.)

Cincinnati has already had this matter under consideration for several months. The funds to entertain you right royally are there, and all we ask of you is your good will and the opportunity to entertain you. Furthermore, I will state that Cincinnati has attended every convention that has been held by this Association, and we have as yet received no honor; and Cincinnati asks for the honor of entertaining you in 1913. (Great applause.)

President Salisbury—These invitations will be considered at the proper time by the directors. We are very much obliged for the kind invitations, and they will all have proper consideration.

Thomas M. Peirce, Jr., Philadelphia—I would like to ascertain whether a motion would be considered for the reconsideration of the adoption of the resolution presented by the report on investigation and prosecution. Under a misapprehension I voted in the affirmative, and I believe there are others who labored under the same misunderstanding; and I would like to have the privilege of correcting that vote.

I make a motion for the reconsideration of the adoption of the resolutions offered by the Committee on Investigation and Prosecution, and I refer, of course, to the resolution authorizing the acceptance of advertisements in the BULLETIN.

Mr. Charles Reynolds, New Orleans—I would suggest that the resolution be referred to the Board of Directors.

Mr. F. H. McAdow, Chicago—I do not believe it is in order at this hour, with this small attendance, to reverse our action on anything passed in the regular way. I raise that point of order.

President Salisbury—The point of order is sustained.

Mr. D. S. Ludlum, Philadelphia—The delegates should be in their seats, of course, but as they are not here I do not want to take advantage of it. I would like to ask the chair what course of procedure is necessary to secure the reconsideration of the resolution. Does it come under miscellaneous or new business?

President Salisbury—It does not come under the head of miscellaneous business. This matter was considered under the regular order of business and disposed of. I would rule that any person who desired to secure the privilege of having the matter reconsidered should have taken it up at the time when that particular part of our program was under consideration. If it is desired to question the ruling, an appeal may be taken.

Mr. Ludlum—Is this convention still in session?

President Salisbury—Yes, for the consideration of miscellaneous business.

Mr. Ludlum—What comes under miscellaneous business? Does new business?

Mr. McAdow—I rise to a point of order, to the effect that if Mr.

Ludlum is not satisfied with the ruling of the president he can appeal from the decision.

Mr. Ludlum—I would not do that; you know it. We can offer a resolution for the suspension of the rules, can we not?

Mr. McAdow—What for?

Mr. Ludlum—for a reconsideration.

President Salisbury—We have spent all the time I think we can consistently spend at this time upon this subject.

Is there any further matter of miscellaneous business to be brought before us? If not, the convention will take a recess until this evening at Symphony Hall. As soon as the tellers are ready to report the result of the election of directors, this report will be read at Symphony Hall, at which time the convention will adjourn *sine die*.

The Board of Directors will meet in Secretary Tregoe's room, No. 40, at the Vendome Hotel, at 11 o'clock tonight.

FOURTH DAY

Friday, June 21, 1912

EVENING SESSION

The convention was called to order at Symphony Hall, Boston, at 9 o'clock P. M., June 21, 1912.

President Salisbury—The seventeenth annual convention of the National Association of Credit Men will now come to order, while the secretary reads the names of directors elected by you today.

Secretary Tregoe—at the election for directors of the National Association, held this afternoon, June 21st, in convention, the following were found to be duly elected upon the assembling and counting of the ballots by the tellers appointed by the president:

To serve for two years:

1. F. B. McComas, Los Angeles, receiving 11,824 votes.
2. George C. Morton, Boston, receiving 11,142 votes.
3. H. G. Barbee, Norfolk, receiving 10,841 votes.
4. L. B. McCausland, Wichita, receiving 10,674 votes.
5. Ira D. Kingsbury, Rochester, receiving 10,510 votes.
6. Frank S. Flagg, New York, receiving 10,302 votes.
7. R. P. Crockett, Nashville, receiving 10,279 votes.
8. Arthur Parsons, Salt Lake City, receiving 10,143 votes.
9. Harry P. Boyd, Baltimore, receiving 9,935 votes.
10. William A. Petzold, Detroit, receiving 9,094 votes.

To serve for one year:

1. R. J. Morawetz, receiving 8,452 votes.
2. H. E. Smith, Columbus, receiving 7,853 votes.
3. William H. Muench, Cincinnati, receiving 7,438 votes.

Mr. President, these thirteen gentlemen have been duly elected as reported by the tellers appointed by you.

President Salisbury—The gentlemen named having received a majority of the votes cast, I declare them elected, the first ten read to serve as

directors of the National Association of Credit Men for two years; the last three read to serve for one year.

There being no further business to be transacted by this convention I now declare it adjourned *sine die*.

CONVENTION REGISTRATION

Members present	964
Ladies and visitors present	353
Total	1,317

ON THE FOLLOWING PAGES ARE
PRESENTED THE LIKENESSES OF
THE PRESIDENTS OF AFFILIATED
BRANCHES OF THE NATIONAL
ASSOCIATION OF CREDIT MEN
AS OF THE DATE OF THE
BOSTON CONVENTION, JUNE
NINETEEN HUNDRED TWELVE



H. P. BOYD
Baltimore, Md.



H. W. COFFIN
Birmingham, Ala.



J. H. CHOATE
Atlanta, Ga.



F. J. SMITH
Buffalo, N. Y.



J. D. FAUCETTE
Bristol, Va.-Tenn.



J. G. H. GRAVELEY
Boise, Idaho.



E. E. WILCOX
Cedar Rapids, Ia.



C. E. YOULDEN
Butte, Mont.



W. E. GREENE
Burlington, Vt.



R. S. WHITE
Chicago, Ill.



W. R. FOREMAN
Charlotte, N. C.



L. C. STEVENSON
Charleston, W. Va.



W. B. FISH
Cleveland, O.



WM. H. MUENCH
Cincinnati, O.



JULIUS H. WEIL
Columbia, S. C.



J. G. DAVIS
Dallas, Tex.



J. J. JENNINGS
Columbus, O.



G. W. NOTH
Davenport, Ia.



J. J. RUVANE
Des Moines, Ia.



H. J. THOMAS
Denver, Col.



JAMES A. DICK
El Paso, Tex.



R. W. HIGGINS
Duluth, Minn.



A. J. MURRAY
Decatur, Ill.



W. J. MURPHY
Ft. Smith, Ark.



J. W. McHose
Fargo, N. D.



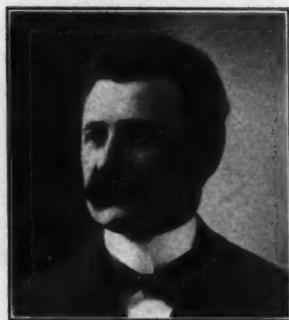
W. A. Petzold
Detroit, Mich.



J. B. Adour
Houston, Tex.



C. H. Walker
Grand Rapids, Mich.



Louis Rohde
Grand Forks, N. D.



R. V. Covington
Jacksonville, Fla.



Wellborn Patterson
Ft. Worth, Tex.



E. E. Barber
Lincoln, Neb.



S. B. ROYSTER
Lexington, Ky.



C. E. VANDEL
Kansas City, Mo.



E. F. SHEFFEY
Lynchburg, Va.



CLARENCE BRADEN
Louisville, Ky.



NEWMAN ESSICK
Los Angeles, Cal.



R. W. KIMBALL
Minneapolis, Minn.



J. A. THOMPSON
Indianapolis, Ind.



J. L. KLINGLER
Milwaukee, Wis.



T. M. SALTER
Memphis, Tenn.



W. M. BONHAM
Knoxville, Tenn.



CURTIS R. BURNETT
Newark, N. J.



C. J. BRANE
Montgomery, Ala.



FRANK S. FLAGG
New York, N. Y.



A. C. CARPENTER
New Orleans, La.



H. T. HILL
Nashville, Tenn.



W. F. MOODY
New Castle, Pa.



W. F. NORMAN
Omaha, Neb.



FRED B. MILLEN
Oklahoma City, Okla.



H. G. BARBER
Norfolk, Va.



W. J. HENDERSON
Portland, Ore.



ENOCH RAUH
Pittsburgh, Pa.



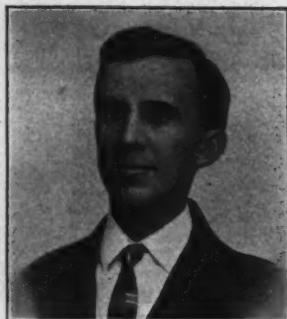
CHAS. D. JOYCE
Philadelphia, Pa.



HERBERT S. DRAPER
Rochester, N. Y.



COL. J. S. HARWOOD
Richmond, Va.



H. B. METCALF
Pueblo, Col.



Z. H. THOMAS
St. Paul, Minn.



W. B. MUNROE
St. Louis, Mo.



K. T. GREENE
St. Joseph, Mo.



MAX M. COHN
San Francisco, Cal.



S. J. STRAUS,
San Antonio, Tex.



ARTHUR PARSONS
Salt Lake City, Utah.



E. G. ANDERSON
Seattle, Wash.



MARVIN O'NEAL
Savannah, Ga.



MORRIS MEYER
Selma, Ala.



G. B. BURKE
Tacoma, Wash.



E. S. KELLOGG
Syracuse, N. Y.



R. C. DILLINGHAM
Spokane, Wash.



CHAS. KNORR
Wichita, Kan.



A. H. DOBSON
Utica, N. Y.



DANIEL SEGUR
Toledo, O.



G. D. MAXWELL
Wheeling, W. Va.



J. H. EDWARDS
Youngstown, O.



M. W. JACOBI
Wilmington, N. C.

(The few omissions are due to the fact that photographs were not available)

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- NASHVILLE, TENN.**—Nashville Credit Men's Association. President, H. T. Hill, Gray & Dudley Hdwe. Co.; Secretary, Chas. H. Warwick, 804 Stahlman Bldg.
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- NORFOLK, VA.**—Norfolk Association of Credit Men. President, H. G. Barbee, Harris, Woodson, Barbee Co.; Secretary, C. L. Whichard, Whichard Brothers Co., 214 Tamhill St.
- OKLAHOMA CITY, OKLA.**—Oklahoma City Credit Men's Association. President, Fred B. Miller, Acme Milling Co.; Secretary, George F. Dean, 1217 Colcord Bldg.
- OMAHA, NEB.**—The Omaha Association of Credit Men. President, W. F. Norman, Fairbanks Morse & Co.; Secretary, E. G. Jones, Credit Clearing House.
- PHILADELPHIA, PA.**—The Philadelphia Credit Men's Association. President, Chas. D. Joyce, The A. Colburn Co.; Secretary, J. A. McKee, Jr., Room 801, 1011 Chestnut St.
- PITTSBURGH, PA.**—Pittsburgh Association of Credit Men. President, Enoch Raub, Raub Bros. & Co.; Secretary, A. C. Ellis, Renshaw Bldg.; Assistant Secretaries, A. C. Bunce and E. A. Schooley, Renshaw Bldg.
- PORTLAND, ORE.**—Portland Association of Credit Men. President, B. K. Knapp, W. P. Fuller & Co.; Secretary, C. R. Miller, 294 Yamhill St.
- PUEBLO, COLO.**—Pueblo Association of Credit Men. President, H. B. Metcalf, The Ridenour-Baker Merc. Co.; Secretary, W. F. Reinig, Pueblo Wholesale Drug Co.
- RICHMOND, VA.**—Richmond Credit Men's Association. President, John S. Harwood, Harwood Bros.; Secretary, Jo. Lane Stern, 905 Travelers Insurance Bldg.
- ROCHESTER, N. Y.**—The Rochester Credit Men's Association. President, Herbert S. Draper, Curtice Brothers Company; Secretary, Edward Wetter, Yawman & Erbe Mfg. Co.
- ST. JOSEPH, MO.**—St. Joseph Credit Men's Association. President, K. T. Green, Robison Heavy Hdwe. Co.; Secretary, Henry La Croix, Mueller-Keller Candy Co.
- ST. LOUIS, MO.**—The St. Louis Association of Credit Men. President, W. B. Monroe, Simmons Hdwe. Co.; Secretary, C. P. Welsh, 600 Security Bldg.
- ST. PAUL, MINN.**—St. Paul Association of Credit Men. President, Z. H. Thomas, Guiterman Bros.; Secretary, H. W. Parker, Merchants Nat'l Bank.
- SALT LAKE CITY, UTAH.**—The Utah Association of Credit Men. President, Arthur Parsons, Z. C. M. I.; Secretary, P. L. Doran, Symms Utah Grocer Co. Asst. Secretary, Walter Wright, P. O. Box 886.
- SAN ANTONIO, TEX.**—San Antonio Association of Credit Men. President, S. J. Straus, L. Frank Saddlery Co.; Secretary, George T. Allensworth, Allensworth-Carnahan Co.
- SAN DIEGO, CAL.**—The Credit Association of San Diego. President, E. Y. Barnes, Doyle-Barnes Co.; Secretary, G. F. Hoff, 403-4 Union Bldg.
- SAN FRANCISCO, CAL.**—San Francisco Credit Men's Association. President, Max Cohn, Zellerbach Paper Co.; Secretary, Ben Armer, 499 Monadnock Bldg.
- SAVANNAH, GA.**—Savannah Credit Men's Association. President, Marvin O'Neal, H. S. Meinhard & Bro.; Secretary, W. R. Finegan, 210 38th St. E.
- SCRANTON, PA.**—Scranton Association of Credit Men. President, M. M. Bennett, The Pierce Company; Secretary, Burton L. Harris, 11 Lackawanna Ave.
- SEATTLE, WASH.**—Seattle Merchants and Credit Men's Association. President, E. G. Anderson, Western Dry Goods Co.; Secretary, S. T. Hills, Polson Bldg.
- SELMA, ALA.**—Selma Association of Credit Men. President, Morris Meyer, Benish & Meyer; Secretary, Geo. F. Treadwell, Atkins Gro. & Com. Co.
- SPOKANE, WASH.**—Spokane Merchants' Association. President, R. C. Dillingham, Jones & Dillingham Co.; Secretary, J. B. Campbell, 1124 Old National Bank Bldg.
- SPRINGFIELD, MASS.**—Springfield Association of Credit Men. President, A. W. Gilbert, Chapman Valve Mfg. Co.; Secretary, L. E. Herrick, Victor Sporting Goods Co.
- SYRACUSE, N. Y.**—Syracuse Association of Credit Men. President, Evans S. Kellogg, The City Bank; Secretary, W. H. Smith, Syracuse Rubber Co.
- TACOMA, WASH.**—Tacoma Association of Credit Men. President, Geo. B. Burke, Bankers Trust Co.; Secretary, J. D. Benner, 802-4 Tacoma Bldg.
- TOLEDO, O.**—Toledo Association of Credit Men. President, Daniel Segur, Standart Simmons Hdwe. Co.; Secretary, Lewis B. Hall, 1226 Nicholas Bldg.
- UTICA, N. Y.**—Utica Association of Credit Men. President, A. H. Dobson, Charles Millar & Son Co.; Secretary, I. C. Fuller, care Charles Millar & Son Co.
- WHEELING, W. VA.**—Wheeling Association of Credit Men. President, Geo. D. Maxwell, Hicks and Hoge D. G. Co.; Secretary, John Schellhave, Nat'l. Exchange Bank Bldg.
- WICHITA, KAN.**—Wichita Credit Men's Association. President, Charles Knorr, Wichita Wholesale Grocery Co.; Secretary, Z. S. Gwaltney, United Electric Co.

WILMINGTON, N. C.—Wilmington Association of Credit Men. President, M. W. Jacobi, N. Jacobi Hdw. Co.; Secretary, Stuart R. Keyes, Bureau of Credits.

YOUNGSTOWN, O.—Youngstown Association of Credit Men. President, J. Howard Edwards, The Edwards Co.; Secretary, W. C. McKain, 1106-7 Mahoning National Bank Bldg.

Directory of Adjustment Bureaus.

Bureaus for the adjustment of insolvent estates are operated in the following cities, under the authority and supervision of their local Associations of Credit Men. All are affiliated branches of the National Association of Credit Men. Address all communications on Adjustment Bureau matters to the manager as such.

- ATLANTA, Ga.—H. A. Ferris, Mgr., Rhodes Building.
- BALTIMORE, Md.—S. D. Buck, Mgr., 100 Hopkins Place.
- BOISE, Idaho—D. J. A. Dirks, Mgr., 305-306 Idaho Building.
- BUFFALO, N. Y.—Wilbur B. Grandison, Mgr., 78 Erie County Bank Building.
- BUTTE, Mont.—C. E. Alsop, Mgr., Independent Telephone Building.
- CEDAR RAPIDS, Iowa—Thomas B. Powell, Mgr., 702-4 Security Savings Bank Building.
- CHICAGO, Ill.—M. C. Rasmussen, Mgr., 10 So. La Salle Street.
- CINCINNATI, Ohio—I. M. Freiberg, Mgr., 904-5 Commercial Tribune Building.
- CLEVELAND, Ohio—Frank B. Bicknell, Mgr., 505 Chamber of Commerce Building.
- COLUMBIA, S. C.—C. J. Kimball, Mgr., 9 Hook Building.
- COLUMBUS, Ohio—B. G. Watson, Mgr., 411-420 The New First National Bank Building.
- DALLAS, Texas—Edw. B. Williams, Mgr., Edw. B. Williams & Co.
- DENVER, Colo.—C. N. Kinney, Mgr., 409 Sugar Building.
- DES MOINES, Iowa—A. W. Brett, Mgr., 708 Youngeman Building.
- DULUTH, Minn.—N. S. Marshall, Mgr., Duluth Jobbers' Credit Bureau, Inc., 621 Manhattan Building.
- EL PASO, Texas—Frank Smith, Mgr., 30 City National Bank Building.
- FORT WORTH, Texas—Geo. Q. McGown, Mgr., Reynolds Building.
- GRAND RAPIDS, Mich.—R. J. Cleland, Mgr., 201 Board of Trade Bldg.
- INDIANAPOLIS, Ind.—Indianapolis Credit Men's Adjustment Bureau, 403 Commercial Club Building.
- KANSAS CITY, Mo.—Frank W. Yale, Mgr., 315 Dwight Building.
- LEXINGTON, Ky.—C. L. Williamson, Mgr., 726 McClelland Building.
- LOS ANGELES, Cal.—F. C. De Lano, Mgr., 600 Equitable Savings Bank Building.
- LOUISVILLE, Ky.—Wm. F. Baumeister, Mgr., United States Trust Co. Building.
- MILWAUKEE, Wis.—S. Fred. Wetzler, Mgr., 500-501 Free Press Building.
- MINNEAPOLIS, Minn.—J. P. Galbraith, Mgr., 501-508 Endicott Bldg., St. Paul, Minn.
- NEW CASTLE, Pa.—Roy M. Jamison, Mgr., 509 Greer Block.
- NEW ORLEANS, La.—W. C. Lovejoy, Superintendent, 607-609 Canal, La. Bank Building.
- NORFOLK, Va.—G. Sellman Williams, Mgr., 211-212 Monticello Arcade Building.
- PHILADELPHIA, Pa.—Edmund S. Mills, Mgr., Room 801, 1011 Chestnut Street.
- PITTSBURGH, Pa.—A. C. Ellis, Mgr., Renshaw Building.
- PORTLAND, Ore.—R. L. Sabin, Mgr., Merchants' Protective Association, 7 First Street.
- PUEBLO, Colo.—E. C. Abel, Mgr., 501 Court Street.
- RICHMOND, Va.—Jos. Lane Stern, Secretary, 905 Travelers' Insurance Building.
- ST. LOUIS, Mo.—A. H. Foote, Mgr., 600 Security Building.
- ST. PAUL, Minn.—J. P. Galbraith, Mgr., 501-508 Endicott Building.
- SALT LAKE CITY, Utah—Walter Wright, Mgr., P. O. Box 886.
- SAN DIEGO, Cal.—G. F. Hoff, Mgr., 403-4 Union Building.
- SAN FRANCISCO, Cal.—Ben Armer, Mgr., 499 Monadnock Building.
- SCRANTON, Pa.—Burton L. Harris, Secretary, 31 Lackawanna Avenue.
- SEATTLE, Wash.—S. T. Hills, Mgr., Polson Bldg.
- SPOKANE, Wash.—J. B. Campbell, Mgr., 1124 Old National Bank Building.
- TACOMA, Wash.—J. D. Benner, Mgr., 802-4 Tacoma Bldg.
- WHEELING, W. Va.—John Schellhase, Mgr., Nat'l Exchange Bank Bldg.
- YOUNGSTOWN, Ohio—W. C. McKain, Mgr., 1106-7 Mahoning National Bank Building.